

THE GLOBAL NEWSPAPER  
 Edited in Paris  
 Printed Simultaneously in  
 Paris, London, Zurich,  
 Hong Kong and Singapore

# Herald Tribune

Published With The New York Times and The Washington Post

No. 31,298

PARIS, THURSDAY, OCTOBER 6, 1983

ESTABLISHED 1897

## U.S. Rejects New Soviet Trade Ban

### Advisers Sought Oil, Gas Controls

By Clyde H. Farnsworth  
 New York Times Service

WASHINGTON — The Reagan administration, ignoring the recommendation of an interagency advisory group made shortly after the Sept. 1 destruction of a South Korean airliner, has decided against tightening controls over exports of oil and gas equipment to the Soviet Union, according to administration officials.

The decision, disclosed Tuesday, signals a reluctance to put further bars on trade with Moscow, and helps the United States avoid new trade frictions, such as those arising from last year's sanctions against selling equipment for construction of the natural gas pipeline from Siberia to Western Europe.

The Russians have announced their intention to begin a huge oil exploration and drilling program in the Barents Sea similar to U.S. efforts on the North Slope of Alaska over the last decade.

Because its oil production has peaked, the Soviet Union is expected to spend \$25 billion trying to find new oil with equipment purchased largely from the industrialized nations.

Discussions with some American business leaders are expected during the Agribusiness U.S.A. 1983 exhibition that is being put on by the U.S.-U.S.S.R. Trade and Economic Council from Oct. 18 to 25 in Moscow, according to officials.

The administration's decision appears to represent a victory for Secretary of State George P. Shultz and Commerce Secretary Malcolm Baldrige and a defeat for William P. Clark, the national security adviser, who had urged tougher action, as recommended by a lower-level interagency advisory group.

This body, under the chairmanship of Lawrence J. Brady, assistant secretary of commerce for trade administration, proposed on Sept. 13 that oil and gas exploration products be placed under national security export controls instead of foreign policy controls that now apply.

Under national security controls, the Defense Department, which has generally opposed most trade with the Russians, has a major say. Under foreign policy controls, the State Department, which is less opposed, has a major say.

Mr. Shultz and Mr. Baldrige, who form a strong pro-trade alliance in the cabinet, were both reported to be angry that their subordinates had not pressed their case harder in the interagency group.

The situation became more incendiary with a letter dated Sept. 19 from Mr. Clark urging the two cabinet officers to carry out the decisions. Mr. Clark was apparently acting on his own behalf and not on the president's, according to officials on both sides of the issue.

"Although this process was proceeding independently of the KAL shoot-down, the recommendation for this adjustment for these high-technology strategic items could be timely," Mr. Clark wrote.

The letter was likened by one source to "a hand grenade in the (Continued on Page 2, Col. 5)

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**To Our Readers**

Because of difficulties at our Paris printers, the Herald Tribune was not distributed Wednesday in some areas of Belgium, West Germany and Luxembourg. We regret any inconvenience to our readers.



Edward L. Rowley, left, the chief U.S. negotiator at the Geneva talks on limiting strategic weapons, and Viktor L. Karpov, the chief Soviet negotiator in Geneva on Wednesday. Tass said the United States was offering "nothing but words" in its latest arms proposal. Page 2.

## Redesigning the Arms Control Talks

### Reagan Proposals Are Giving Congress a Bigger Voice

By Leslie H. Gelb  
 New York Times Service

WASHINGTON — President Ronald Reagan's new strategic arms proposal is widely seen here as a significant advance toward compromise with the Soviet Union that will make arms control policy a tougher target for domestic critics.

In the proposal, which was formally announced Tuesday, Mr. Reagan met the main concerns of an influential group of legislators and defense specialists by agreeing to redesign the so-called build-down idea, which provides that the deployment of new warheads must be accompanied by the destruction of older ones.

Under the proposal, the deployment of powerful fixed, land-based missile warheads would result in deployment of sea-based and mobile land-based missile warheads; so that modernization would be channeled toward less vulnerable and less threatening mobile systems.

By showing a willingness to reduce the number of bombers, and by putting lower limits on planned bombers that carry air-launched cruise missiles and on the highly accurate D-5 submarine-launched missile, the administration also agreed to meet some of the Soviet Union's major demands.

This does not mean that administration officials think Moscow will respond eagerly or positively or that major differences have been resolved. For the moment at least, they see Soviet leaders as ill-disposed toward dealing with the administration because of the shooting down of the South Korean airliner last month.

In recognition of this, officials said there was considerable sentiment in the administration against making the proposal to the Soviet delegation in Geneva at this time.

Instead, some are suggesting a delay until the atmosphere improves and until Secretary of State George P. Shultz might go to Moscow and present the ideas directly to Soviet leaders.

Not does it mean that the congressional critics and outside experts who helped fashion the proposal believe their job is done. In a move several legislators and outside experts described as of great importance, these elements succeeded in putting one of their own into the negotiating delegation, "to watch things," as a legislator put it.

R. James Woolsey, an undersecretary of the navy in the Carter

administration and a member of the President's Commission on Strategic Forces, will join the delegation when talks resume in Geneva this week. Further, according to officials, he is expected to become a member, if not the chairman, of a proposed special working group to discuss the build-down idea with the Russians.

This group, which will operate parallel to the formal negotiations.

**NEWS ANALYSIS**

If Moscow agrees, is seen by a number of legislators and officials as a way of getting around Edward L. Rowley, the chief U.S. negotiator, who they see as an obstacle to a treaty.

Officials said Mr. Rowley and Kenneth L. Adelman, the director of the Arms Control and Disarmament Agency, were the strongest opponents within the administration of the proposals. They were said to have argued that the United States had already lost credibility by changing its negotiating position too many times under domestic pressure.

In the formal negotiations in Geneva, Mr. Rowley will be instructed to present a modified version of the existing proposal. That calls for a reduction in each side's missile warheads by about one-third to 5,000, plus a formula for closing the 3-to-1 Soviet advantage in missile throw-weight, or payload.

Moscow wants to put a ceiling on all "nuclear charges," that is, missile warheads, bombs and air-launched cruise missiles, and does not want any limits on throw-weight.

To make the new U.S. approach more attractive, Mr. Rowley is instructed to drop the sublimiting of 2,500 land-based missile warheads within the overall 5,000-warhead limit. This would permit Moscow to keep more of its powerful land-based missiles.

Officials said the administration was prepared to reduce its strategic bomber fleet to below 400 and limit the number of cruise missiles launched from the bombers to 3,500 instead of the previously proposed 8,000.

In the proposed parallel talks to (Continued on Page 2, Col. 7)

## Nobel Prize Goes to Walesa

### West, Church Hail Choice; Regime Silent

Compiled by Our Staff From Dispatches

GDANSK, Poland — Lech Walesa gave a shout of joy Wednesday and was tossed in the air by friends as they learned that he was the recipient of the 1983 Nobel Peace Prize.

Mr. Walesa said they heard the news on a car radio as he drove with friends on a mushroom-picking trip in woods about 50 miles (80 kilometers) from Gdansk.

On his return to his apartment in Gdansk, Mr. Walesa was greeted by a crowd of about 1,000, who chanted his name and the name of the outlawed Solidarity trade union that he headed.

Leaving from his apartment window, Mr. Walesa said he would donate the cash award of 1.5 million Swedish kronor, about \$190,000 to a proposed Roman Catholic Church fund to channel aid to Poland's private farmers.

Mr. Walesa said he would not seek to go to Norway himself but would ask permission from the authorities for his wife, Danuta, to go to accept the award for him.

There was no immediate official reaction from the authorities, but Andrzej Konopacki, a government spokesman, said, "The award used to mean something. This depreciates the prize. It's politically motivated."

State radio made no mention of the award on its midday news bulletin, and nearly four hours after the announcement had been made in Oslo the official news agency, PAP, had not reported it.

Henry Brumke, a spokesman for Poland's Roman Catholic Episcopate, said, "He deserved the award. He needs it to keep up his spirits."

In Vatican City, Pope John Paul II sent his "cordial congratulations" in a telegram to Mr. Walesa, praising him for trying to solve the problems of the workers and society in Poland. He added that the efforts were undertaken "through a peaceful way of sincere dialogue and reciprocal cooperation of all."

The Polish-born pontiff has been a strong supporter of Solidarity.

Western governments hailed the choice Wednesday as a tribute to a struggle for freedom. In the Soviet Union and most of the Communist bloc, however, the news was stifled.

In Washington, Larry M. Speakes, the chief White House



Lech Walesa, winner of the 1983 Nobel Peace Prize.

spokesman, said President Ronald Reagan was "gratified that Lech Walesa and all those in Poland who fought so long and hard for peaceful change" had been recognized.

In Paris, Prime Minister Pierre Mauroy said Mr. Walesa "is a man who struggles for freedom in an almost universal way. We like to see in this the symbol of all those in the world who struggle against dictatorship and high-handedness."

Chancellor Helmut Kohl of West Germany congratulated the Polish labor leader, saying, "Your courage, the solidarity of your friends and the firm faith of the Polish people are an encouraging example for all people concerned about the cause of freedom."

In London, Prime Minister Margaret Thatcher's office said, "It is a great honor for the individual, and the Labor Party's new leader, Neil Kinnock, said, 'Lech Walesa is one of my heroes.'"

François Blanchard, president of the Geneva-based International Labor Organization, said the award "has given recognition to a worker and to the crucial importance of the principle of freedom of association."

In Hollywood, Florida, Lane Kirkland, president of the American Federation of Labor and Congress of Industrial Organizations, told a meeting of labor delegates, "It is incumbent on us... to add what we can to the worldwide demand that he go to Stockholm to receive that prize."

**Bomb Threat in Stockholm**

The Stockholm Stock Exchange building, which also houses the Swedish Academy of Letters, was evacuated Wednesday after a caller said a bomb had been placed there to protest the awarding of the peace prize to Mr. Walesa. The Associated Press quoted the national news agency TT as reporting.

An anonymous caller from Italy to the Academy of Letters said the Red Brigades terrorist group had placed a bomb in the building to protest the award, the news agency said.

**Israeli Deputies Relent, Open Way for Coalition**

Compiled by Our Staff From Dispatches

JERUSALEM — Prime Minister-designate Yitzhak Shamir told the Knesset Wednesday that he had formed a coalition and asked parliamentary deputies to meet Monday for a vote of confidence.

Six deputies from the ruling Likud coalition dropped their demand for a national unity government, lifting the last obstacle to the formation of a new administration.

The maverick deputies announced that they were abandoning their condition that Mr. Shamir reopen talks with the opposition Labor Party on sharing power.

"I still hope for a miracle, but if one doesn't occur, I am still a member of the Likud and I will vote for Yitzhak Shamir," said Dan Tichon, one of the six.

Another member of the group, former Energy Minister Yitzhak Berman, said the six were convinced Mr. Shamir had given Labor enough time to decide whether to join a government of national unity.

"We said 10 days were a reasonable period and, in effect, 10 days were given," Mr. Berman said. "We demanded more time and another eight days were given. I cannot say Shamir did not fulfill his obligation."

Unity talks collapsed last week over differences on Jewish settlement, with the Likud rejecting Labor's call for limiting the outposts to sparsely populated Arab areas.

At least three of the six dissenting deputies said they would vote for the government. With their support and that of the ultraorthodox Agudath Israel party, Mr. Shamir can look forward to a majority government in the 120-seat Knesset.

Israeli newspapers said Mr. Shamir promised the Agudath Israel, which holds four seats, that he would ensure the passage of controversial religious legislation during the Knesset's winter session.

The bills propose toughening criteria for conversion to Judaism, restricting archaeological digs in areas where human remains might be found, banning the raising of pigs and ceasing construction of a swimming pool in an orthodox Jerusalem neighborhood.

Labor and several members of the Liberal wing of the Likud accused Mr. Shamir of giving in to religious blackmail.

The announcement that Mr. Shamir had a coalition caught Is-

## Peace Panel Cites Struggle For Solidarity

By John Vinocur  
 New York Times Service

OSLO — Lech Walesa, the leader of Solidarity, the outlawed Polish trade union, was awarded the 1983 Nobel Peace Prize on Wednesday for his struggle for workers' rights.

The prize citation from the Norwegian Nobel committee described Mr. Walesa as an "inspiration and an example" and as "an exponent of the active longing for peace and freedom which exists, in spite of unequal conditions, unconquered in all the peoples of the world."

The committee's chairman, Egil Aarvik, compared the Polish leader to two previous laureates, the Rev. Martin Luther King Jr. and Andrei D. Sakharov, the Soviet dissident. Each man, he said, had furthered the cause of peace through his work in favor of human rights.

Mr. Walesa, an electrician, was a leader of the shipyard strike in Gdansk in August 1980 that led to the Polish authorities allowing the establishment of a free trade union, an unparalleled event in the history of Soviet-dominated Eastern Europe.

Martial law was declared in December 1981 and Mr. Walesa was interned for 11 months until his release in November of last year. The Solidarity union was banned.

The award went to Mr. Walesa, 40, with the committee's full expectation that it would irritate the Polish government. The labor leader has come under strong attack by state-controlled Polish news organizations and a connection was seen here between this and the possibility that he would win the peace prize.

"I don't expect any thanks or gratitude from the Polish authorities," Mr. Aarvik said, "but I can imagine that the attitude of the Polish people will be very different."

The committee's citation was itself unlikely to please the Polish authorities; it described them at the time of the Gdansk strikes as being "finally forced to capitulate and negotiate with Walesa."

Candidates for the peace prize are nominated by members of any elected parliament, previous Nobel laureates, and some scholars, as well as the five members of the Nobel selection committee, itself chosen by the Norwegian parliament. The prize carries a medal and a stipend of 1.5 million Swedish kronor (\$190,000).

Jakob Sverdrup, the committee secretary, said Mr. Walesa had been nominated by many parliamentarians and was chosen from an overall group of 79 candidates.

In reaching its decision, the committee said it "has taken into account Walesa's contribution, made with considerable personal sacrifice, to ensure the workers' right to establish their own organizations. This contribution is of vital importance in the wider campaign to secure the universal freedom to organize — a human right as defined by the United Nations."

Lech Walesa's activities, it said, "have been characterized by a determination to solve his country's problems through negotiation and cooperation without resorting to violence. He has attempted to establish a dialogue between the organization he represents — Solidarity — and the authorities."

The committee said, moreover, that it believed "Walesa's attempt to find a peaceful solution to his country's problems will contribute to a relaxation of international tension."

The labor activist had been nominated for the award last year (Continued on Page 2, Col. 1)



GUARD CHANGES — Michael Foot, the outgoing leader of Britain's Labor Party, making his final report to the party's annual conference at Brighton. The party reaffirmed on Wednesday that it would dismantle the country's nuclear forces. Page 3.

## Anti-Missile Movement Grows in East Germany

By Henry Tanner  
 International Herald Tribune

BERLIN — There was a "blues Mass" Friday night at the Protestant Church of the Redeemer in Rummelsplatz, a suburb of East Berlin, and the word had spread.

From six o'clock on, the big red-brick, neo-gothic church was jammed with teen-agers and young adults — two thousand at a time — who had come from all over the country, some with sleeping bags and rucksacks, to listen to the drums and guitars, the skits, sermons and prayers.

As one capacity crowd attended the hourlong peace program, another built up impatiently outside, then pushed in through the side doors as the earlier participants filed out through the main gate.

The tone of the program was bold and it illustrated the fact that East Germany, alone among the countries of the Soviet bloc, has a genuine peace movement that opposes rearmament in both East and West.

"God does not want missiles, neither Pershings nor SS-20s," said the bearded young man who led the prayer. God wants the road "spiral of arming" stopped on both sides, he said, and on both sides there are politicians who want power, not peace.

In a skit, the actors tore up a gleaming rubber ball — a symbol of the world — as they wrestled over it, pulling it back and forth and arguing over its shape.

Bold red lettering on a white screen proclaimed the theme of evening: "Dare to Live."

Another young man received thunderous applause for a sermon in which he urged the young to dare to live according to their convictions. He called on them to make their own decisions "even in the face of harassment and provocations," especially on the question of whether to refuse to bear arms, a reference to conscientious objectors in East Germany, whose numbers are growing.

Under the law, unique in the Eastern bloc, East Germans have the right to declare, at the moment of being drafted, that they do not want to bear arms for reasons of conscience. They become *Bausoldaten* — "building soldiers." They wear uniforms but receive no combat training and serve mostly in construction units.

Despite the law, the state tries to discourage conscientious objectors. If a draftee fails to make his declaration to the recruiting officer at the right moment and in the right way, he is required to serve. Outright refusal is punished with prison.

A *Bausoldat* carries a stigma for life. He has little chance of going to university or of getting a decent job and no chance of advancement.

Yet every year there are about 400 objectors and the number is growing, according to official sources. Under the system, which has been in force since 1964, there are now about 8,000 former *Bausoldaten*, men between 20 and 40, many of whom are a driving force in the peace movement.

The church has said officially that it has no peace movement but is deeply involved in "peace work." It has opened its doors to the protesters but in exchange demands restraint, according to sources.

In the city of Halle, Lothar Rohan, a deacon and one of the most militant peace activists in the coun-

try, said he had a coalition caught Is-

(Continued on Page 2, Col. 5)

## Death Needle in Arm, Texas Killer Gets Stay

The Associated Press

HUNTSVILLE, Texas — James David Autry was lying strapped to a death chamber stretcher with a needle in his arm early Wednesday when he was told, four minutes after his execution was to have been carried out, that a U.S. Supreme Court justice had granted him a reprieve.

Mr. Autry, 29, who was condemned to death for killing a store clerk in 1980 over a six-pack of beer, showed no reaction at the ruling, officials said.

Outside the prison, however, a crowd of about 200 pro-death-penalty demonstrators shook their fists and chanted an obscenity when they heard of the stay.

Justice Byron White granted the stay at 11:32 P.M. Tuesday, based on the question of "proportionality," that is, whether the sentence was comparable to those given other people for similar crimes.

A saline solution was already running into Mr. Autry's arm in preparation for the lethal injection of chemicals when the reprieve was

granted, prison officials said. He was told there would be a delay.

At 12:05 A.M., after state officials had tried to have the stay overturned but found themselves with a 30-minute deadline for preparing the case, the condemned man was told of the stay.

Fifty minutes before the scheduled time for the execution, 12:01 A.M., Justice White had received an application for a stay from the American Civil Liberties Union.

Justice White noted that the full court planned to hear arguments in a California case Nov. 7 on whether states must compare all death sentences to other punishments meted out for similar crimes.

The 9th U.S. Circuit Court of Appeals has ruled in the California case that such a "comparative proportionality review" is constitutionally required.

Justice White said he would stay Mr. Autry's execution pending the final disposition of the appeal or "until further order of the court or the undersigned."



## Druze Calls For New Formula With Guarantees For Israel

By Marvin Howe  
New York Times Service

ATHENS — The Lebanese Druze leader, Walid Jumblatt, called Wednesday for "a new formula" that would guarantee Lebanon's independence as well as the security of Israel's northern borders.

The Lebanese opposition leader said that his recent move to set up a local administration in the Chuf mountains was not a "separatist" action and stressed that he was ready to cooperate with the central Lebanese government.

Mr. Jumblatt said at a news conference here that he had come to thank Greece's Socialist government and people for their support and understanding of the Lebanese problem. The Greek government

had seen the dangers of the Lebanese-Israeli agreement governing Israeli troop withdrawal from Lebanon, the Druze chief said.

"The parties concerned or to be involved in the National Dialogue should find another formula," Mr. Jumblatt said, adding that the opposition does not consider the Israeli-Lebanese treaty viable.

In what appeared to be a new, conciliatory position, the Druze leader said that a new formula could preserve Lebanese independence and "guarantee the so-called peace of Galilee," an indirect reference to Israel's northern border with Lebanon.

At the same time, he said that Lebanon's "lungs are in the Arab world" and that neighboring Syria's economic and security interests

must be taken into consideration in any new formula.

Mr. Jumblatt repeated criticism of the U.S. role in Lebanon, accusing the American peacekeeping forces of becoming directly involved when they had shelled Druze positions at Souk el-Garb last month.

"We wonder if they are in Lebanon to guarantee national entities and guarantee the independence of Lebanon and sovereignty or just to support the regime of Mr. Amin Gemayel," he said.

[In Beirut, President Gemayel agreed Wednesday to a Syrian and Druze condition to accept observers from nonaligned nations to supervise a Lebanese cease-fire.

[Khalil Mekki, acting secretary-general of the Foreign Ministry, said at a news conference that efforts were under way to create a "neutral observation force" to oversee the truce that began Sept. 26 after three weeks of civil war.]

■ Tanks Blast Shiite Positions

Army tanks blasted Shiite Muslim positions in the southern Beirut suburbs Wednesday after sniping and rocket-grenade fire at army positions nearby, The Associated Press reported from Beirut.

Police in Tripoli, Lebanon's second largest city, 80 kilometers (50 miles) north of Beirut, said six persons were killed as pro-Syrian Alawite and anti-Syrian Sunni militias battled through the night Tuesday with mortars, rockets and machine guns.

The cease-fire violations prompted Saudi Arabia, which helped negotiate the latest truce, to warn that the civil war could be reignited.

■ U.S. Sends Lebanon Arms

The Pentagon moved Wednesday to sell Lebanon an additional 253 armored troop carriers and machine guns "to increase its capability to provide for its own security and defense," The Associated Press reported from Washington.

The proposed sale, outlined in a formal letter to Congress, is the latest in a series of steps by the Reagan administration under a year-old program to rebuild and retrain the Lebanese Army so it can assume responsibility for maintaining security. Previously, the United States has provided Lebanon with more than 200 armored troop carriers, and more than 100 M-48 tanks.

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■ U.S. Seeks Lebanon Arms



Prime Minister Rudi Lubbers, left, and Joseph Luns, the NATO secretary-general, at the opening session of the 29th annual meeting of the North Atlantic Assembly in The Hague.

## Rowny Presents New U.S. Arms Plan; Tass Calls Latest Offer Just 'Words'

Compiled by Our Staff From Dispatches

GENEVA — Edward L. Rowny, the chief U.S. negotiator at the strategic arms reduction talks, arrived in Geneva on Wednesday and presented President Ronald Reagan's new proposals to Viktor L. Karpov, the chief Soviet negotiator.

Meanwhile, the Soviet Union, in a statement by the news agency Tass, reacted to Mr. Reagan's speech in Washington on Tuesday, saying the United States was trying to suggest that its arms proposals had changed for the better.

"However," Tass said, "when it came to the core of the problem it became clear that it was nothing but words, words which have nothing to do with actual deeds."

Mr. Rowny said he hoped to establish a "framework for agreement" with the Russians in the coming months.

In a related development, the U.S. State Department said in Washington that there seemed to be little new in a Soviet call Tuesday for a nuclear weapons freeze but promised to study it. The proposal was made in a statement by Oleg Troyanovsky, a Soviet delegate, speaking for Foreign Minister Andrei A. Gromyko at the United Nations General Assembly in New York.

U.S. allies welcomed Mr. Reagan's proposals. But in West Germany, thousands of people stopped work for five minutes at midday to protest the scheduled deployment of U.S. Pershing-2 and cruise missiles in December.

In The Hague, Prime Minister Rudi Lubbers of the Netherlands said Wednesday, at the formal

opening of the North Atlantic Assembly, that North Atlantic Treaty Organization governments must be responsive to public opinion on defense and nuclear missiles.

Mr. Rowny and Mr. Karpov met privately Wednesday before the formal opening Thursday of the fifth round of negotiations on intercontinental ballistic missiles.

The U.S. negotiator was to present Mr. Reagan's latest proposal — the so-called build-down concept, calling for an annual 5-percent destruction of older U.S. and Soviet strategic nuclear warheads — to Mr. Karpov at a private meeting Wednesday afternoon.

Under the build-down proposal, old weapons would be scrapped for each new one installed, possibly at a ratio of at least 2 to 1, to achieve a one-third cut in warhead arsenals.

"There is a great deal in it for the Soviet Union as well as for us," Mr. Rowny said at a press conference.

Mr. Rowny read a statement calling the Sept. 1 downing of a South Korean airliner by the Soviet Union "repugnant" but pledging to "continue our efforts to bring about an agreement which would lower the threshold of nuclear terror in the world."

"We return to Geneva," he said, "despite the climate created by the recent tragic events, with instructions to move the negotiations forward and we are determined to do so."

Among U.S. allies, Mr. Reagan's latest offer was warmly welcomed.

Joseph Luns, the NATO secretary-general, said the alliance's strategy had to be politically acceptable in the broadest sense. But he said that people calling for a delay in missile deployment ignored Moscow's cynical buildup of arms over the past four years.

Foreign Minister Hans-Dietrich Genscher of West Germany called on Moscow to break the impasse in strategic arms talks.

"It is now up to the Soviet Union to take concrete steps," he said.

In London, a spokesman for Prime Minister Margaret Thatcher of Britain said Mr. Reagan's offer was "further evidence of the American desire to reach agreement."

As Mr. Reagan offered his proposal, Moscow repeated a call at the United Nations for a nuclear weapons freeze, an idea repeatedly rejected by Washington on the ground that it would sanction Soviet nuclear superiority.

## The Youth in East Germany Spread a New Theme: Peace

(Continued from Page 1)

try, recently found out what happens when the church withdraws its protection.

He had led a local peace group for seven years and had organized some spectacular demonstrations. In the spring his superiors apparently decided his methods were too provocative and he was fired from his post as deacon.

He continued his peace activities but, without his church connection, he was arrested. He was sentenced to three years in jail for disturbing the peace, and other members of his group also were jailed.

Protests by his supporters in a suburb of Halle turned to violence. Church authorities and others reportedly are seeking quietly to obtain his release. Informed sources say it is possible, even likely, that he will show up in West Germany under one of the periodic ransom arrangements — usually 50,000 to 60,000 Deutsche marks (about \$19,000 to \$22,000) — that West German organizations negotiate with the East German regime.

Many East German peace militants have moved to West Germany, some deported against their will and others at their own request to escape discrimination. In some cases, people have joined in peace activities knowing that getting on the police black list may be the only way to leave the country. The government is sometimes willing to give troublemakers the exit visa that others cannot get.

■ Honecker Speaks to Church

The Communist Party daily Neues Deutschland quoted Erich Honecker, East Germany's head of state, Wednesday as telling a West German religious monthly that Christians benefited from the state's achievements and supported its policies, Reuters reported from Berlin.

Mr. Honecker told the Lutherische Monatshefte in an interview: "This goes especially for efforts to avoid the danger of a nuclear world war and to secure peace."

At a second last month, the Protestant Church urged the state not to accept new missiles that the Soviet Union has threatened to deploy if the North Atlantic Treaty Organization stations new U.S. missiles in Western Europe.

## U.S. Rejects New Sanctions On Trade With Soviet Union

(Continued from Page 1)

chicken coop." The matter was supposed to have been taken up at a cabinet meeting Sept. 16, but neither Mr. Clark nor Mr. Shultz was present.

The three met together later, and in the face of the strong line taken by both cabinet officers, Mr. Clark retreated rather than carry the issue to the president, officials said.

The earlier Brady committee recommendation was ignored.

There have been recurrent rumors, subsequently denied, that both Mr. Brady and William Schneider Jr., undersecretary of state for security assistance, science

and technology, who approved for the State Department in the Brady committee, were asked to resign.

So far, there has been only one resignation reflecting differences of opinion on East-West trade policy. William A. Root, who was director of the State Department's Office of East-West Trade, said last week that he was resigning to protest the growing strength of the Defense Department in the trade arguments.

The denial of an export license to a Hughes Tool Co. subsidiary to sell \$40-million worth of submersible drilling pumps was also part of the Brady recommendations. It was unclear where the company's application now stood. "We've heard nothing one way or the other, and as far as we're concerned, it's still pending," said Donald L. King, a spokesman in Houston.

At the same time, trade officials said that the administration appeared to be ready to announce a major tightening of controls on exports of big-ticket items in oil and gas, transportation and communications to Libya in retaliation for the Libyan intervention in Chad.

Officials said the following proposals would be put on the table with some flexibility:

For every new fixed land-based missile warhead such as those on the MX, two old warheads would be destroyed; submarine-launched missile warheads such as the new D-5 or Trident-2 missile would be converted on a 3-to-2 basis; and mobile land-based missiles such as the proposed Midgetman on a one-for-one basis. This would penalize modernization of potential first-strike weapons and reward modernization in the direction of submarine-launched and mobile missiles.

At some point, or so the framers of the proposal hope, the efforts of the working group would be merged into the formal talks.

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## WORLD BRIEFS

### Helms Agrees to King Holiday Vote

WASHINGTON (UPI) — Senator Jesse Helms, Republican of North Carolina, who has been blocking a vote on legislation to create a national holiday in memory of the Rev. Martin Luther King Jr., agreed Tuesday night to let the Senate vote on the issue Oct. 19, two days after Congress returns from its Columbus Day recess.

Mr. Helms, who stunned and dismayed many of his colleagues Monday with an accusation that the slain civil rights leader had espoused Marxist views, faced a Senate vote Wednesday that was expected to end his filibuster against the bill.

While the agreement with Mr. Helms would call off the cloture vote, the Senate majority leader, Howard H. Baker Jr. of Tennessee, said the Senate would go ahead with the debate-limiting vote unless he could get unanimous consent for the Oct. 19 vote.

### Nicaraguan Rebels Bomb Oil Depot

MANAGUA (UPI) — Anti-Sandinist rebels have staged a sabotage attack from speedboats on Nicaragua's principal Caribbean petroleum depot, bombing two tanks that stored 360,000 gallons of fuel, officials said.

The government said Tuesday that guerrillas of the Democratic Revolutionary Alliance were responsible for Monday's attack at the port of Benjamin Zelaya. The alliance is based in Costa Rica and is headed by the former Sandinist deputy defense minister, Edén Pastora Gómez.

The tanks were used to "supply all the Atlantic Coast region" and were particularly important to the port of Puerto Cabezas, the government spokesman said. In September, rebels staged an aerial bombing attack on petroleum reserves on the Pacific coast at the ports of Corinto and Sandino, but failed to hit their targets.

### Rebels Form Junta in Part of Salvador

SAN SALVADOR (UPI) — A leftist guerrilla group has announced the formation of the first provisional government in a rebel-ruled area of El Salvador and seized a key town in the eastern coffee-growing province of Usulután.

The Popular Liberation Forces announced Tuesday on its radio station that it had formed a "subregional junta of popular power" in northern Chaltenango province. It was the first time any of El Salvador's five rebel groups, who operate as the Farabundo Martí National Liberation Front, has announced the establishment of a provisional government.

The guerrillas captured Juacapa, an important eastern city in El Salvador's richest coffee-growing district, taking 21 prisoners, killing two members of the Salvadoran National Guard and seizing 26 weapons, witnesses said.

### Egypt Fires Own Version of SAM-7

TAL HAMZA, Egypt (Reuters) — Egypt fired its own version of the shoulder-held Soviet SAM-7 anti-aircraft missile for the first time Wednesday during a military display.

The missile pursued and destroyed a target drone at this Western Desert base. Egypt began manufacturing its version of the SAM-7 after the Soviet Union stopped supplying it with weaponry and spares because of policy differences.

Defense Minister Abdel-Halim Abu Ghazala said after the live exercises that Egypt's version of the missile would be called "Hawkeye." He said Egypt would start mass production early next year at the rate of 200 missiles annually.

### Paris Court Clears 3 Irish Nationalists

PARIS (Reuters) — Three Irish nationalists, who the Dublin police say are members of the Irish National Liberation Army, were cleared by a court here Wednesday of charges of illegally possessing arms and explosives and of criminal association.

The three, Michael Flannery, Mary Reid and Stephen King, were cleared of all charges resulting from a police raid on their apartment in August last year. The court said they had been cleared because of judicial irregularities committed during the police raid on their apartment in suburban Vincennes and their subsequent questioning. The court said one of the irregularities was that the two senior police officers in the raid did not have the necessary power to carry it out.

### U.K. Awaits Junta Change, Paper Says

LONDON (AP) — The British government is preparing to seek an agreement with Argentina on the Falkland Islands if a civilian government takes over from the military junta in Buenos Aires, the Daily Express reported Wednesday. A Foreign Office spokesman declined comment on the report.

The Express said British officials believed a civilian government in Argentina would be more willing to agree to a peaceful settlement than the junta. Argentina was defeated in last year's 74-day war with Britain over the South Atlantic islands, known in Argentina as the Malvinas.

The Express said, without attribution, that officials here hope that a civilian regime in Buenos Aires will end the state of war observed by the junta, which has still not formally declared an end to hostilities.

### For the Record

The archbishop of Maracay, Roger Etcheberry, told Pope John Paul II and more than 200 bishops attending a synod at the Vatican that the Roman Catholic Church should make reconciliation with the Jews a high priority in an effort to avoid anti-Semitism. (UPI)

An alleged Irish Republican Army terrorist, William Joseph Quinn, ordered set free from a San Francisco prison, was stopped from leaving Wednesday when the judge who had ordered his release directed that he be held until Oct. 11. (UPI)

A driverless, runaway freight train traveled 70 miles (113 kilometers) in three hours in northern Bangladesh Tuesday before being boarded and stopped, railroad officials in Dhaka said Wednesday. (Reuters)

Taiwan rather than China should be negotiating with Britain over the return of Hong Kong because it possesses the treaty under which London rules most of the colony, a Taiwanese member of Parliament said Wednesday in Taipei. (Reuters)

The French national airline pilots' union announced Wednesday in Paris the suspension of a 60-day boycott on flights to Moscow that was called last month after the Soviet Union shot down a South Korean airliner. (Reuters)

A protest at Chemie Linz AG, until recently a producer of dioxin, was broken up by police in Linz, Austria, Wednesday after members of the Greenpeace environmental group tried to block the plant's gates with mock drums of the deadly chemical waste. (AP)

An Israeli ministerial committee in Tel Aviv approved Wednesday the building of six Jewish military settlements in the occupied West Bank. (UPI)

The Soviet President, Yuri V. Andropov, will make his first foreign trip since coming to power when he goes to Bulgaria later this month, sources disclosed in Moscow Wednesday. (WP)

## New Reagan Arms Proposal Gives Congress Bigger Voice

(Continued from Page 1)

be conducted in a separate working group. Soviet and U.S. negotiators would work on a "double" build-down approach — in numbers of missile warheads, bombers and cruise missiles, and in "destructive capacity," or missile and bomber throw-weight.

In this context, the administration will suggest an annual cut of 5 percent in missile warheads or a reduction based on a build-down formula, whichever is greater.

Officials said the following proposals would be put on the table with some flexibility:

For every new fixed land-based missile warhead such as those on the MX, two old warheads would be destroyed; submarine-launched missile warheads such as the new D-5 or Trident-2 missile would be converted on a 3-to-2 basis; and mobile land-based missiles such as the proposed Midgetman on a one-for-one basis. This would penalize modernization of potential first-strike weapons and reward modernization in the direction of submarine-launched and mobile missiles.

At some point, or so the framers of the proposal hope, the efforts of the working group would be merged into the formal talks.

According to these officials the administration on Friday was still without an agreed position when Ronald F. Lehman, the chief arms control expert on the National Security Council staff, met with a group including Brent Scowcroft, the chairman of Mr. Reagan's Commission on Strategic Forces, Mr. Woolsey and Senator William S. Cohen, Republican of Maine, who was one of the originators of the build-down idea.

By all accounts, Mr. Scowcroft and his commission members and Senator Cohen and several of his congressional colleagues essentially wrote the position paper with Mr. Lehman, although they strongly preferred one overall new proposal rather than breaking it down into one piece for the formal talks and one piece for the working group. No senior member of the administration was present.


When Mr. Reagan convened this group Monday, he reportedly just read the instructions agreed on and then excused himself.

During surgery, even though an operating room has been scrupulously sterilized, infection can be caused by anaerobic bacteria that live in the human body. To reduce this danger, Rhône-Poulenc has developed an anti-infective drug which can be used before or after surgery when complications are liable to set in. Widely used in Europe, it is fair to say it has saved a good many lives.

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## Talks Begin on Possible Arms Violations

### U.S. Raising Questions About Soviet Radar, Missile Tests and Encryption

By Charles Mohr

New York Times Service

WASHINGTON — Soviet and U.S. officials in Geneva have started discussing U.S. suggestions that the Soviet Union may have violated the terms of two arms control treaties.

The United States says it believes the Soviet Union may have violated provisions of the 1972 treaty limiting anti-ballistic missile defenses by building a huge new radar installation in Siberia and the 1979 treaty limiting strategic nuclear arms by testing more than one new intercontinental missile.

The 1979 treaty has not been ratified by both sides have agreed to abide by its terms.

U.S. officials are also concerned about encryption of electronic data broadcast from Soviet missiles during test flights.

For eight days a dispute in the Reagan administration delayed the sending of formal instructions to the chief of U.S. delegations to a Soviet-U.S. commission created to discuss possible violations, according to government officials.

The Standing Consultative Commission, a body created in the early 1970s to discuss such complaints, began a meeting in Geneva on Sept. 22.

But the chief U.S. delegate, General Richard H. Ellis, who is retired from the air force, received no for-

mal instructions from Washington until Friday, Sept. 30, government officials said. He was therefore limited to listening to the Soviet delegates and to exchanging routine information.

A group of Washington officials centered on the Defense Department held up the transmission of instructions to General Ellis, officials said.

That group wanted the United States to make outright charges of cheating against the Russians, possibly in a diplomatic note from Secretary of State George P. Shultz.

Another group, centered in the State Department, preferred to take a less confrontational approach and to do it in the commission, officials said. By agreeing, the proceedings of the Standing Consultative Commission are confidential.

Officials would not say exactly how the dispute was resolved, but one indicated that General Ellis might have not been permitted to raise all three questions of possible treaty violations in this week's sessions. This would leave the United States the option of making a public complaint on at least one point.

President Ronald Reagan alluded to the issue of possible Soviet violations in his arms control speech to the United Nations General Assembly on Sept. 26.

He complained of the "high level" of encoding of Soviet missile test

data and said "a newly discovered radar facility and a new ICBM raise serious concerns about Soviet compliance with agreements already negotiated."

Some conservatives in Congress and outside government have been pressing Mr. Reagan to make public what they believe is incontrovertible evidence of violations.

Soviet officials have denied that the new radar in south central Siberia near the town of Abalakova or the test flights of a modified SS-13 intercontinental ballistic missile that began in February are violations of the treaties. They have also denied that the level of data encryption is a violation.

The 1972 treaty limiting the size and quality of anti-ballistic missile defenses, or ABMs, limits the United States and the Soviet Union to one operational ABM field each. The U.S. field has been deactivated, but the Soviet Union has an operational ABM force at Pushkino, a suburb northeast of Moscow, that is meant to offer some protection for both the city and nearby missile fields.

The treaty also says that to "enhance assurance of the effectiveness of limitations on ABM systems" the two sides will not adapt other radars for ABM use and that each nation's radars for giving early warning of ballistic missile attack must be "along the periphery

of its national territory and oriented outward."

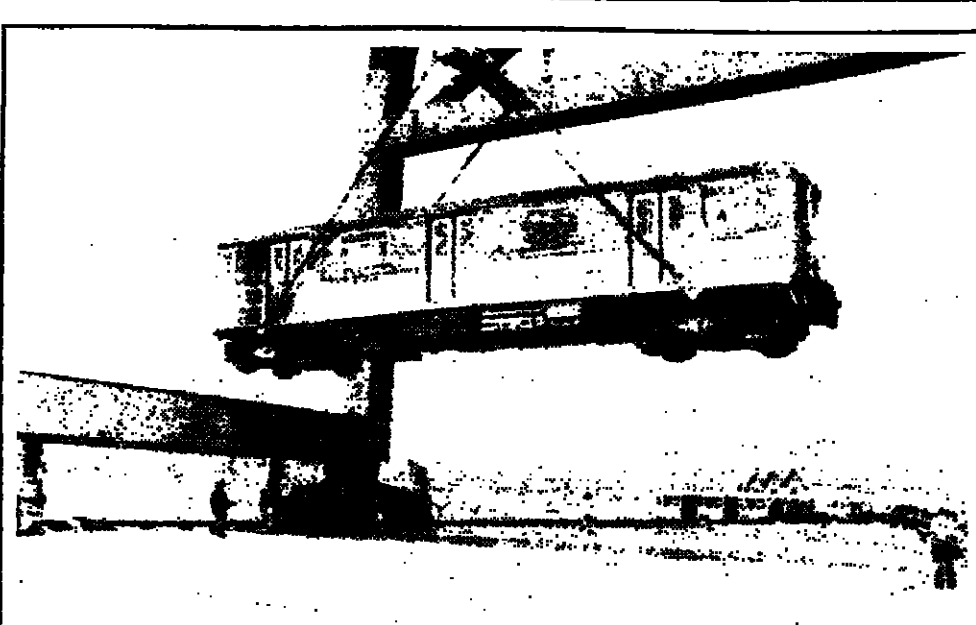
About Aug. 10, U.S. intelligence officials studying reconnaissance satellite data discovered a very large radar, resembling a building, under construction near Abalakova, northeast of the Siberian city of Novosibirsk.

The orientation of the radar station, according to U.S. officials, appears to be a fan-shaped area pointing to the northeast, across thousands of miles of Siberia and ultimately the Bering Sea. "We don't call that 'outward,'" an official said.

The other possible treaty violation has been aired publicly but hardly resolved by U.S. officials. The 1979 arms treaty said the two parties could flight test and deploy only one new type of light ICBM.

In October 1982 the Soviet Union began testing a missile similar to the 10-warhead United States MX missile and told Washington this was the new missile permitted under the treaty.

However, in February U.S. sensors detected flight tests of a single-warhead ICBM. Moscow says this is a modification of a solid-fuel missile called the SS-13, of which about 60 were deployed in the 1970s. The Russians reportedly say the modifications are permissible under the treaty. U.S. officials say that it is a new missile.



SPECIAL DELIVERY — New subway cars built by the Nishio Iwai Co. of Japan for New York City's Metropolitan Transit Authority being unloaded at a Brooklyn terminal.

## U.S. Senate Approves \$91 Billion in Domestic Spending

Washington Post Service

WASHINGTON — Brushing aside a Democratic proposal to add substantially to education spending next year, the Republican-controlled U.S. Senate approved, 70-23, a \$91-billion appropriations bill for major domestic programs.

The measure, approved Tuesday, was tailored to win President Ronald Reagan's approval.

A proposal to add \$559 million to the bill's allocation of \$13.4 billion for education failed, 50-45, despite arguments from Senator Bill Bradley of New Jersey and other Democrats that the proposal conformed to earlier Senate votes calling for increased spending for education.

Later, the Senate voted 50-44 to reject a proposal by Senator Dan Quayle, an Indiana Republican, to add \$364 million for job-training.

Senate leaders had warned that Mr. Quayle's proposal, which was backed by most Democrats, could lead to a presidential veto of the overall measure.

Like the version passed last month by the Democratic-controlled House of Representatives, the proposed Senate bill falls short of budget targets for major social welfare programs that were approved by Congress earlier in the year.

## Americans Can Expect Longer Life

Los Angeles Times Service

WASHINGTON — Life expectancy for Americans reached a record high last year and infant mortality declined to a new low, according to a report by the Department of Health and Human Services.

The study, conducted by the Public Health Service's National Center for Health Statistics, was released Tuesday.

The report said that life expectancy for the total population climbed to 74.5 years in 1982 — up from 74.1 years in 1981 and 73.7 years in 1980 — and that women were still living longer than men. Life expectancies last year were as follows: for white women, 78.7 years; black women, 73.8 years; white men, 71.4 years; and black men, 64.8 years.

The report also said the infant mortality rate continued to decline in 1982, with 11.2 deaths per 1,000 live births.

Births totaled 3,704,000 in 1982, 2 percent more than in 1981, the study said.

Marriages increased for the seventh consecutive year, establishing a national record, the department said. In 1982, 2,495,000 couples married, 2 percent more than in 1981 and 16 percent more than in 1975.

## U.K. Laborites Reaffirm Anti-Nuclear Position

By Peter Osnos

Washington Post Service

BRIGHTON, England — The Labor Party overwhelmingly reaffirmed Wednesday its commitment to eliminating the country's nuclear forces and ousting all U.S. bases should it win the next national election.

The margin at the party's annual conference was so large for "unconditionally" scrapping Britain's deterrent "within the lifetime of the next Labor government" that no vote count was sought by those opposed to the radical military policy.

With no election scheduled for four years or so, the immediate effect of Wednesday's action is to bind Labor's position in parliamentary debates on nuclear questions.

Labor's new leader, Neil Kinnock, voted for the resolution, but only after losing an effort to have it watered down that began even before he was elected Sunday. Mr. Kinnock, who has often said that he favors unilateral nuclear disarmament for Britain, tried to fudge the question of timing and remove the word "unconditionally."

But Ronald Todd of the giant Transport Workers Union, which sponsored the resolution, said amid strong applause: "It is not a policy we should apologize or be reluctant about." He said Prime Minister Margaret Thatcher was turning Britain into "an American aircraft carrier" and called Mrs. Thatcher and President Ronald Reagan "the Bonnie and Clyde of the nuclear world."

The vote, which appeared to be even greater than last year's two-thirds majority, has some policy significance for the Reagan administration.

It means that the official opposition party in the only country with which the United States maintains a strategic nuclear relationship is committed to breaking that tie. Moreover, the vote reinforces Labor's outspoken opposition to the deployment of U.S. cruise missiles, scheduled to begin now in a matter of weeks.

Even staunch Labor critics of unilateralism such as former Prime Minister James Callaghan and former Foreign Secretary Denis Healey are against cruise deployment and would cancel Britain's plans to purchase the U.S. Trident D-5 submarine-launched missiles to replace the country's aging Polaris fleet.

The mass of the party delegates, however, also favors the rest of the sweeping program, which includes dismantling Polaris before it is obsolete and removing U.S. military installations. Mr. Healey and Mr. Callaghan, who appear to be increasingly isolated from Labor's mainstream, favor making the future of Polaris dependent on arms negotiations also involving the United States and the Soviet Union and are far less categorical in their opposition to U.S. bases.

As a realist, Mr. Kinnock's advisers say, he recognizes that Labor's extreme stand on military policy — and the fact that it was attacked by some of its own senior figures — hurt it with the electorate.

Mr. Callaghan, arguing furiously against Wednesday's resolution, declared: "You made a fundamental mistake. You believed that by going on marches and carrying resolutions, you could persuade the British people. You lost millions of votes."

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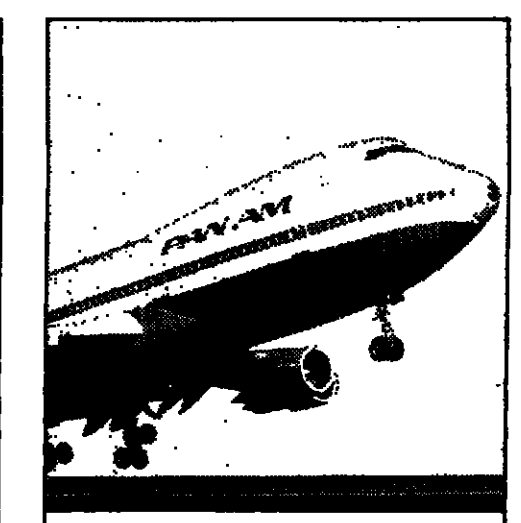
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# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

## Democratic Confidence

The health of parliamentary democracy came under scrutiny this week in Strasbourg, where the Parliamentary Assembly of the 21-nation Council of Europe has been holding a conference on the problems and outlook for representative government.

An assumption behind this conference is that the democratic system is under pressure not only from its announced enemies — authoritarian and despotic governments, or terrorist organizations — but also from certain developments within the democratic countries. These include the resort to extralegal forms of protest; single-issue political organization and voting; the influence of the media on politics; and the disillusionment with democratic government that can follow failure to deal successfully with economic crisis — to remedy unemployment, control inflation, pay for social security.

Those are indeed serious issues, yet it strikes us that one of the most impressive things about Western political life in the last decade or two has been the resilience and resourcefulness demonstrated by the parliamentary system. On the whole, in our view, it has not been losing ground, but gaining it. In not one of the established representative democracies has the system really faltered or even been seriously threatened.

Terrorism in West Germany and Italy was mastered morally as well as practically, without lasting damage to constitutional legality. The economic crisis that began in 1973 has not provoked the rise of anti-

democratic parties; the comparison with what happened after World War I and in the depression of the 1930s is striking. An abuse of executive power in the United States was dramatically and democratically checked in the Watergate events and their aftermath.

The community of parliamentary nations has been augmented. Portugal awoke from years of authoritarian government to a revolution, but the result was installation of parliamentary rule. Spain has triumphantly moved into a new order of constitutional monarchy. Indian democracy survived the period of Mrs. Gandhi's emergency powers. The rule of the colonels in Greece ended in disorder and disgrace, and democracy returned. Chile and Argentina today may be edging back toward parliamentary rule.

In recent years it has been the undemocratic nations that have seen the most internal disorder — the places where people have become desperate, as in Poland, or have turned to large-scale violence, as in Afghanistan, Iran, Central America, Southeast Asia.

The demands made upon governments today are undoubtedly complex, and it is true that the democracies have fallen short in important ways. But the larger truth, which must not become obscured, is that parliamentary democracy continues to be more successful than any of its rivals in responding to modern challenges. Complacency is not called for, but there is reason to face the future with confidence.

INTERNATIONAL HERALD TRIBUNE

## Reagan's New Position

Despite changes on the American side, the Russians yielded nothing of substance in the last round of the strategic missile (START) talks, Ronald Reagan says. To move them off the dime, he offers further changes now. It is an approach that, some of the faithful are likely to remind him, he might have scorned in the past. Other Americans, whose main concern is for a good agreement, can only be gratified that he is reaching out to address the Kremlin's main strategic concerns, even as he hopes it will address his own.

Keep in mind the familiar and, in the past, not unjustified complaint that Mr. Reagan, in pursuit of an illusive superiority, sought to limit Soviet advantages without affecting American ones. Theoretically, the initiatives he announced on Tuesday would seem to dissolve that complaint. We say "theoretically" since the numbers have yet to be filled in and the process of a negotiation can go wrong in many ways. But the concepts look promising.

Mr. Reagan now offers two schemes for arms reductions. The first, reflecting the evolution of his initial approach, is to negotiate "trade-offs" of the strengths of the two sides — the destructive capacity of Soviet missiles, for instance, and the superiority of American bombers and bomber missiles. The second scheme, formally unveiled on Tuesday, is to write into the U.S. proposals a "build-down" requiring old weapons to be cut as new and presumably more stable ones are deployed.

There is more to the new American position than meets the eye. It reflects a substantial and continuing contribution both from members of Congress who were skeptical of the administration's earlier approach and from the bipartisan Sorensen commission, which Mr. Reagan set up when his strategic policy bogged down over the MX. These outsiders accepted the Reagan double emphasis on strength and deep reductions, adding to it a second double emphasis on strategic stability and negotiability. The result is a proposal at once better tailored to diverse U.S. interests and more certain of congressional and public backing.

Mr. Reagan has been making analogous changes in the talks with the Russians on missiles in Europe. A measure of his success is the Kremlin's fresh protest that the Europeans are becoming "parties to the U.S. conspiracy."

The START prospect was uncertain even before the South Korean plane disaster. But Mr. Reagan acted the leader in keeping his balance and ensuring that the Washington debate over his START policy stayed open. In roughly similar circumstances, Lyndon Johnson postponed his planned arms control debut, and Jimmy Carter could not sustain the drive to have SALT-2 ratified.

At present, Mr. Reagan has two of the three ingredients of real progress: an evolving position and growing support for it. What he does not yet have is a Soviet partner.

—THE WASHINGTON POST.

## Other Opinion

### The United States and China

After two and a half years of deterioration, Sino-American relations took a great leap forward last week when President Reagan and Premier Zhao Ziyang agreed to exchange visits in early 1984. The breakthrough can produce major political and economic gains.

China believes its interests lie in non-confrontational relations with both Moscow and Washington. That's fine. It needs to devote more attention to modernization and economic growth. That can make China a major player in the global strategic balance and promote stability in Asia. Both sides should cooperate on reaching that goal.

—The Chicago Sun-Times.

In spite of the parallels that exist between Chinese and American interests, Beijing has no intention of acquiring the image of an American ally. Its main concern is to act as a counterweight in maintaining a balance between Moscow and Washington. But if that balance should shift markedly in favor of the United States, one of the questions Beijing will certainly raise is in an attempt to restore equilibrium will be that of Taiwan.

—Neue Zürcher Zeitung (Zurich).

### Sorcerer's French Apprentice

The French plan to provide Iraq with Super Etendard fighters and Exocet missiles can be compared to an unskilled magician's attempt to show tricks he cannot fully control.

Reports from Paris have said that Iraq does not plan to actually attack Iran with Exocet missiles but plans to use them as a means to prevent an expansion of the war and also to compel Iran to negotiate with Iraq. Even if the missiles are not used in combat, Iraq can employ them to threaten foreign oil tankers cruising in the Gulf with the objective of choking the Iranian economy. In this case, the Gulf would be virtually blockaded.

France claims it will not sell Super Etendard fighters but "lease" them. This may be a generous deal proposed by the third-largest "merchant of death" after the United States and the Soviet Union. But can the French "lease" not be interpreted as [making France] a belligerent country with Iraq against Iran?

President Mitterrand may offer an excuse that the contract was concluded by his predecessor, President Giscard d'Estaing. [But] we urge him to reconsider his decision in order to honor French socialism.

—The Mainichi Daily News (Tokyo).

## FROM OUR OCT. 6 PAGES, 75 AND 50 YEARS AGO

**1908: Bulgaria Claims Independence**  
CONSTANTINOPLE — It was nearly five o'clock [on Oct. 5] before the Porte, the Embassy and the Bulgarian Diplomatic Agency received confirmation that Prince Ferdinand had proclaimed the independence of Bulgaria at Tirnova at midday. Kiamil Pasha immediately called a meeting of the Ministerial Council, which decided to submit to the Sultan a protest addressed to the Great Powers declaring the action contrary to the Treaty of Berlin. A violent scene took place between Kiamil Pasha and Baron Marschall von Bismarck, the Grand Vizier having reproached the Ambassador that Austria, an ally of Germany, had combined with Bulgaria for the proclamation of the independence of the principality in order to take advantage of the circumstance to annex Bosnia and Herzegovina.

**1933: Tammany Hall Stunned**  
NEW YORK — Tammany was dealt a crushing blow when the Bronx Democratic committee voted unanimously to bolt the ticket headed by Mayor John P. O'Brien and support Joseph V. McKee, an Independent Democrat. The revolt, engineered by Edward J. Flynn, McKee's political mentor and a close friend of President Roosevelt, puts a united Bronx machine behind McKee. A second blow to the Tammany cause, which left old Hall leaders more stunned than the Bronx move, was the announcement by McKee that James J. Hoey, Governor Alfred E. Smith's floor manager at the presidential nominating convention last year, had agreed to run on the McKee ticket for the borough presidency of Manhattan. Just where the Fusion forces led by Fiorello LaGuardia fit in is doubtful at this moment.

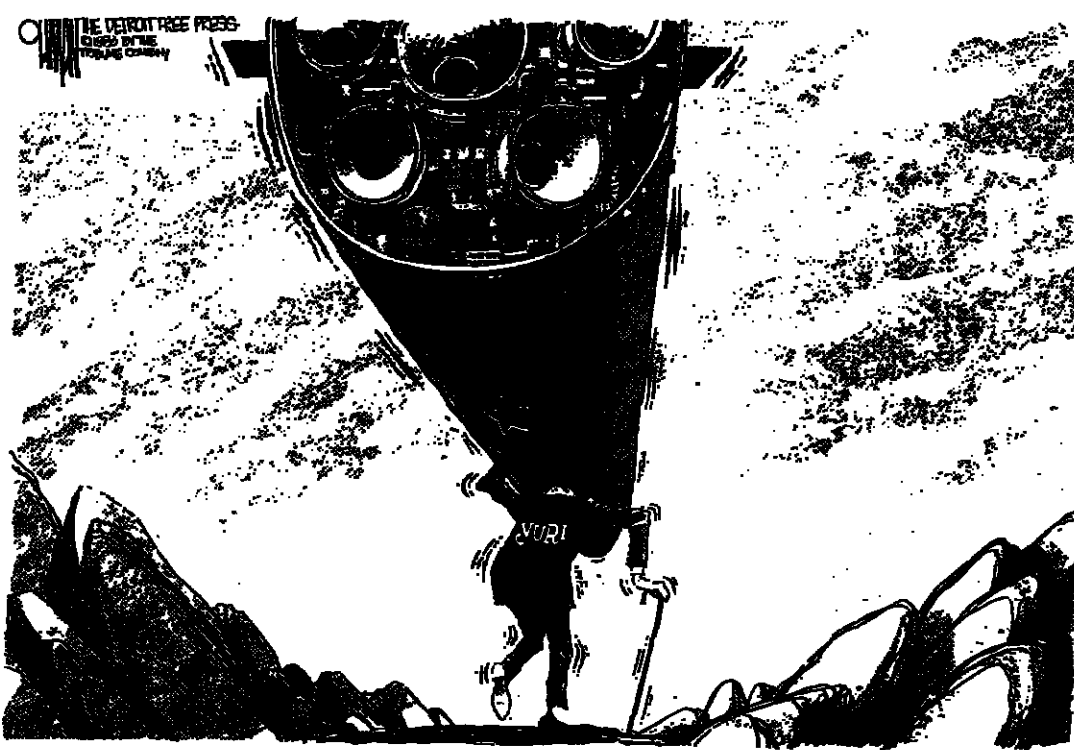
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S.A. au capital de 1,200,000 F. RCS Nanterre B 732021126. Commission Paritaire No. 34231.  
U.S. subscription: \$200 yearly. Second-class postage paid at Long Island City, N.Y. 11101.  
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## Why Can't the Kremlin See Its Interest?

By James Reston

WASHINGTON — Sometimes things have to get a little scary before anybody pays much attention. This may be happening in Washington now with regard to U.S.-Soviet relations, although it is not yet seen to be happening in Moscow.

President Reagan is singing a gentle tune, and once in a while Speaker O'Neill thinks they should sing it together. For the first time in this administration the leaders of the executive and Congress agreed in advance on a new set of nuclear arms control proposals to be placed before the Soviet negotiators in Geneva.

These were approved in consultation with the NATO allies. The proposals were not all that different from previous Reagan suggestions rejected by Moscow, but the president's approach and tone were different.

He told Yuri Andropov, in effect: Look, there is no way either of us can get everything we want. But maybe, stop by step, we can get something: a brake on the development of more nuclear weapons, an agreement to keep them from polluting space.

Mr. Reagan is changing his tune because his fiery rhetoric was beginning to worry the British, the West

Germans and the Italians, on whose territory the new American cruise and Pershing-2 nuclear weapons will be placed in a few weeks. And also because the people of the United States were beginning to think that maybe America was drifting into deep and dangerous waters.

This is Mr. Reagan's dilemma: When he sounds too tough he is attacked at home, and when he tries to compromise the Soviets regard it as a sign of weakness. They then try to exploit his conciliatory attitude to frighten the allies and separate Western Europe from America, which has been their main political objective since the end of World War II.

But the Soviet Union misjudges both the United States and Western Europe. There was a time when many West Europeans thought that the Soviet Communists had an answer to the puzzles of modern life, but the Soviets have made such a spectacular failure of their lives that even the Communist parties of Western Europe no longer regard the Soviet Union as a model for their countries. The Soviets are falling further and

further behind in the computerized world in every field except the production of military missiles.

Mr. Andropov is no dummy. He has been trying to change the Soviet system, and to raise production on the land and in the factories, and to control inefficiency, absenteeism and drunkenness. But he is in trouble at home and in his East European empire, where the people hear the news — especially in East Germany, and where people are beginning to know that life is better on the other side and are beginning to dream of unifying the German state.

Probably within the next few weeks, before the U.S. missiles are put in place in Europe, Moscow will offer to withdraw or destroy some of its SS-20 missiles if Mr. Reagan and the allies will agree to hold up the new deployment for a while.

That is not likely to be acceptable in Washington. America and its NATO allies, despite the opposition of the "peace movement," are determined to maintain a balance of nuclear power in Europe until the day, if it ever comes, when the Soviet Union

## An Officer Puts the Case Against a Nuclear Freeze

By David H. Burton Jr.

The writer is a captain in the U.S. Air Force. This is excerpted from a letter he sent to President Reagan and distributed in his hometown, Lexington, Massachusetts.

DEAR Dr. and Mrs. — I've noticed that you have lent your names and support to the Lexington Committee for a Nuclear Weapons Freeze. I am glad to see that our community is now taking an active interest in this vital matter.

I have also studied Soviet strategic doctrine. I have lived one full week out of every three in a concrete shelter, behind a fence, with my combat-ready, nuclear-loaded emulsion of human genius and failure quietly waiting outside my door in the snows of North Dakota. I have eaten with it, lived with it and slept with it.

One does not come to this position with a blinded eye or heart. Nor does one become immune to the conse-

quences of his mission. To the contrary, one's awareness is dramatically increased during those hours of waiting for the klaxon. (Is it real, or another exercise?)

What then, you may wonder, could so possess a man that he would be ready to inflict such destruction upon his fellow men? Is it some sense of patriotism or chauvinism? No. It is the knowledge that by his very determination, skill and willingness to follow that ultimate command he is serving the strange principles of the maintenance of Peace on Earth.

Let me state an extremely paradoxical truth: Nuclear weapons have been the single greatest force for peace that our generation has known. Their existence has made global war utterly unthinkable. So long as both sides have had a "second-strike capability" — that is, the power to inflict unacceptable losses upon the enemy even after suffering a full-scale first strike — the concept of either a pre-emptive attack or an attack to further one's political objectives has remained an absurdity. This condition has prevailed from the late '50s.

Advances in technology, as well as a relative neglect of our strategic forces (the B-52s I flew were older than some of our pilots), have upset this fragile balance. We are now entering an era when the greater number, destructive capacity and, most of all, accuracy of Soviet missiles can render a devastating blow on our retaliatory capability. The Soviet perception is shifting, and justifiably, toward the concept that they could survive, and even win, a nuclear war. There is nothing that could make their leaders happier than freezing the current strategic situation.

What, then, are we to do? The first step is to recognize that the opposing side has vastly different objectives. They need not be responsive to the demands of their people; they can manipulate those demands through their societal controls. They will make promises only when the making serves the state, and break them for the same reason.

With the Soviets, you bargain from a position of strength, or you lose the negotiation. Unlike America, the leadership in the U.S.S.R. seldom changes and their objectives have never changed. What was true during the Cuban Missile Crisis is true today: The Soviets will be bluffing only when you're not bluffing.

While a freeze of the current situation may be desirable from the Soviet point of view, what's to motivate them to reduce their nuclear capability? The Soviet Union cannot afford another high-tech round in the arms race. They recognize that in a head to head technological-industrial competition they would lose despite multibillion-dollar efforts. If nuclear arms reduction were clearly the only alternative to an arms race, it is extremely likely, in the present economic, technological and political climate, that they would choose it.

Thus we must show that we are not bluffing. We must vigorously pursue the president's arms program to restore our second-strike capability, or we can forget meaningful limits to nuclear weaponry, much less reductions. Ironically, during this pursuit it will be our fervent prayer that the millions in research, design and test funds will have been "wasted" because the Soviets found our resolve to be credible. Of course they'll probably wait until we're ready to deploy the first new system before their first meaningful concession is made, but serious and meaningful reductions and a safer world for our families will result from our resolve.

Consider the worst-case result of this strategy: If it fails, we'll still have restored that stabilizing condition known as second-strike capability. We'd have done our part, for a while longer, to ensure the security of the free world.

On the other hand, the worst-case result of the freeze strategy is the fruition of your greatest fears: A freeze is the easy way out. It is free, and it is expedient, and so it appeals to the frustrated souls who share the strong gut feeling that something must be done. But it totally ignores the political and military realities.

The New York Times.

## Torture, by All Accounts, Won't Just Go Away

By Jonathan Power

LONDON — Argentina's military government has approved a law granting the military and the police immunity from prosecution for crimes committed during the years of military repression. Few in Argentina dispute the fact that hundreds of leftists and their sympathizers were killed and thousands were tortured during the years of military rule.

Maybe the elections set for the end of the month will bring to government true democrats who will once and for all rid the country of its less than appealing traditions. There is a good chance, though, that the Peronists will return to power, and scrupulous democratic behavior is not exactly their trademark.

At an international colloquium on how to combat torture, held in Geneva earlier this year, François de Vargas observed that although some rare examples to the contrary exist in contemporary history, in general the practice of torture continues even after change in government. Either the new government has an equal disrespect for human rights, as in Ethiopia and Iran, or the same police system survives and the new government is unable or unwilling to change it, as in Uganda and Equatorial Guinea.

Torture, the systematic use of violence to inflict maximum pain in order to extract information, break resistance or simply intimidate, is a product of civilization. Primitive man, in animal fashion, seems to have followed his instincts

and killed his enemy as swiftly as the job could be done. Archaeologists who have dug up prehistoric skeletons have found no evidence of torture. Even human sacrifices were made without prolonged suffering. It appears, then, that man existed for several hundred thousand years without using torture, and that only in the last few thousand years has it become a weapon of state.

Egon Larson, who has made a study of the subject, writes that the great Roman and Greek civilizations laid detailed records of torture. Both prohibited torture for citizens but permitted it for others. In ancient Athens the testimony of a slave was not considered reliable unless he had been tortured. Rome tortured the early Christians and sent them into the arena to fight with lions; as Rome became increasingly despotic in its later years, even the free man could be tortured for a wide range of offenses.

The Christian Church, repelled by Rome's torture of Christians, for a thousand years used its strength in Europe to abolish torture. Until the time of Pope Innocent IV in the 13th century it was practically unknown in the Western world. But then the Inquisition brought it back.

Heretics were forced to undergo systematic torture while a magistrate sat close by logging carefully the instruments used, the duration

of the torture and the confessions extracted. Use of torture in Europe slowly began to die out in the 17th century. In 1640 it was abolished in England by law, although the torture of suspected "witches" continued for some time. After the 1789 revolution, France made the use of torture a capital offense. Most German states and Russia abolished it early in the 19th century. Indeed the European imperial powers did much to dampen down its uses in the many parts of the world where they had their empires.

Then torture returned with vengeance in the 20th century. It has reached a scale that dwarfs even the darkest of the Middle Ages. In the civil war that followed the Russian Revolution, torture was used sporadically. It was Mussolini's fascists that were the first government in the 20th century to make torture an official policy of state.

Much torture these days seems to have bizarre sexual ingredients. It was the Marquis de Sade two centuries ago who gave his name to sadism, the sexual enjoyment of cruelty. It appears that when torture becomes part of the police apparatus of a state, sadists are attracted to it, or the latent sadism that exists in many humans is brought to the fore and given license.

If 17th century Europe could undertake to outlaw torture, surely 20th century mankind could try. Is the world now more civilized or less?

International Herald Tribune.

## Nigeria: When America Lets a Democracy Down

By Jean Herskovits

NEW YORK — As the United States and the other IMF members wrangle over the U.S. contribution, the fund risks jeopardizing one of its key roles — stabilizing the economies of developing countries beset by global recession.

The fund renounces any political role or political criteria for lending, but its support is sometimes vital for recipient countries trying to consolidate democracy. It must not now abandon this role in Nigeria, where a fledgling democracy is trying to weather severe economic difficulties.

On Oct. 1, the 23rd anniversary of Nigerian independence, Shugu Shagari began his second four-year term as president. Five weekly elections starting in August, although marred by fraud and violent incidents, were a victory for democracy. A victory that surprised many skeptics. But this is not the end of the test. More challenges to democracy lie ahead — at a time of economic malaise.

Nigeria depends on oil exports for 90 percent of its foreign exchange. It has been hard-hit by the oil glut brought by world recession; its \$14-billion debt seriously threatens economic planning and the people's expectations. The government has been looking to a projected IMF program to help it through its debt crisis.

For the moment, Nigerians are still preoccupied with the elections — the violent incidents that followed the presidential vote and the fraud in balloting, voter registration and authorization of polling places. There were, however, no detentions, preventive or otherwise, and President Shagari is adamant that Nigeria shall not have a single political prisoner.

Paradoxically, the fraud can be interpreted as evidence of Nigerians' commitment to democracy. Local party members often did their rigging with an eye to 1987 elections, positioning themselves to stake claims based on what they "delivered" this time. What is clear is that President Shagari won with strong support throughout the country — an important mandate for what the constitu-

tion dictates must be his last term. His greatest challenge will be to reassure Nigerians that the state can provide democracy and social justice.

Several lawsuits over some of the election results are helping to dispel uncertainties about the voting, but he must also meet explosive charges that elected and appointed political figures have prospered, often unethically, while millions of already poor Nigerians bear growing hardships.

In his first term he launched an as yet rhetorical campaign against corruption, but he himself despairs at how hard it will be to eliminate it. He insists that this time he will choose his own cabinet and advisers: no lists from party branches, no lobbying on the basis of results delivered. His party has a majority in both the Senate and the House.

But to succeed, his programs must be accompanied by economic stability. He recognizes this and accords economic questions a top priority. Even during the election campaign he did not lift tough austerity measures, meeting some of the conditions for a \$2-billion IMF program even before negotiations were begun.

There is a limit to what he can do. Oil revenues are improving as the world moves out of recession, but the slowness of recovery, global conservation and quotas set by OPEC mean that Nigeria's foreign debt problems will not disappear quickly, despite the basic soundness of its economy.

Leo Treitler, Stockholm.

What was the sinner doing for more than two hours over strategically sensitive Soviet territory? Why did the crew ignore commands to land? DIAKU ZANKPA-KPAKUBA, Florence.

If I am to believe that the government of my country's neighbor to the south has been frank, it must fill in the gaps of its version of the incident. C.P. FOGARTY, Ottawa.

Regarding "Muzzling Papandreu, the EC's Problem Student" (IHT, Sept. 26) by Leopold Unger: Allow me to point out three factual errors in the above article: George Papandreu's government

lasted from 1963 until 1965, and not from 1964 to 1967.

Civil war in Greece ended in 1949-50, and not in 1947.

Greek exports to East European countries represented 6 percent of foreign sales in 1981 (IMF Yearbook, 1982) and 7.7 percent in 1982 (Statistical Bulletin of the National Bank of Greece, 1983) — and not 15 percent.

Furthermore, the Greek Socialist government won the elections because of its socialist program of national independence, social justice and democracy, rather than "with the help of anti-American slogans," as Mr. Unger would have it.

P. METALLINOS, Press Counsellor, Embassy of Greece, Paris.

How About New Jersey? Amid all the furor stirred by Charles M. Lichtenstein's statement about the willingness of the U.S. delegation at the United Nations to be "down at the docks, waving you

Letters intended for publication should be addressed to the editor, and contain the writer's signature, name and address. Brief letters receive priority, and letters may be abridged. We cannot acknowledge all letters, but we value the views of the readers who submit them.

The writer, a professor of history at the State University of New York at Stony Brook, visited Nigeria during the recent elections and contributed this comment to The New York Times.

St. Paul's Cathedral in London.

George Papandreu (Constantinople).

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## LETTERS TO THE EDITOR

most press the U.S. government to address the question squarely: How did KAL flight 007 go off course?

LEO TREITLER, Stockholm.

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How About New Jersey? Amid all the furor stirred by Charles M. Lichtenstein's statement about the willingness of the U.S. delegation at the United Nations to be "down at the docks, waving you

[the United Nations] fond farewell as you sail into the sunset," only your cartoonist Ophiant (IHT, Oct. 4) has bothered to point out that "you can't do that out of New York." Ophiant is of course right. In the same spirit, quitting New York for a foreign port would mean going east. But he overlooks the possibility that the United Nations could move to New Jersey, in which case Lichtenstein & Co. could indeed wave into the sunset.

C. GETZ, Paris.

Sequoia in Normandy In "Heidelberg's Sequoia" (IHT, Sept. 26), Pat Richmond writes: "The sequoia has also been successfully cultivated in England, notably in Germany and on the slopes of St. Germain in Switzerland."

To that short list may be added the arboretum of the children of Harcourt in Normandy.

MICHAEL LEBOG, Paris.



By Dinah Lee

(Continued on Following Page)

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**(Continued on Page 10)**

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## HONG KONG

## Beijing and the Future

(Continued From Preceding Page)

as the people here know that the reality is one in which they can trust."

On that score, the Chinese do not appear to have done well among the crucial work force of Hong Kong, particularly among the middle class. Frequent public appearances of Beijing government officials have deepened concern.

The chairman of the Far East Stock Exchange, Ronald Li, said recently: "It's about time the Chinese said what is going to happen before 1997 — what's the use of talking about 1997? They're already increasing their influence in Hong Kong now to the extent that it's damaging growth."

Like the Chinese proverb, the Beijing policymakers visiting Hong Kong have regularly picked up stones only to drop them on their own feet.

About six weeks before the first round of Chinese-British talks began in July, a member of the Chinese Politburo, Xi Zhongxun, assured visiting Hong Kong professionals that under Chinese sovereignty in Hong Kong after 1997, "Freedom in life will remain unchanged. People in our country also enjoy enough freedoms."

Mr. Xi seemed unaware of the effect his promise of mainland-style freedom would have on a population of free-marketiers, many of them refugees from communism.

A second stone dropped was the media campaign waged by the Chinese to win local public opinion over a sort of modernized united front during a recent recess in talks during August and September.

Aware that there has been no cessation to the flight of capital from Hong Kong or of emigration inquiries by locals, Beijing sent its de facto representative and director of Xinhua news agency, Xu Jiatun, on a series of walks throughout the colony. In early August, Mr. Xu stopped to commend the residents of the Kowloon walled city, a self-regulating historical anomaly created by the 1898 Convention of Nanking, on their administration.

His comments were seen as an endorsement of Beijing's self-rule formula proposed for Hong Kong. According to Lee Yee, edi-

tor of a widely read political monthly, the Seventies, this could have been a "test balloon" by the Beijing representative. But it is not known whether Mr. Xu realized that the walled city is regarded by the Hong Kong community as little better than a slum.

"If Beijing wants to have Hong Kong administered like the walled city, it would be a joke — everybody would leave Hong Kong right now," said Mr. Lee.

Then, Hong Kong received a shock in September when Beijing, on a campaign to round up criminals throughout China, arrested five Hong Kong citizens. The men were charged and executed for a series of offenses that ranged from robbing a store in the border town of Shenzhen to drug-trafficking and spying for the Kuomintang, Taiwan's national party. The severity of the sentences did not escape notice among Hong Kong's citizens. It provided a worrying counterpoint to China's assertion that after 1997, Hong Kong's existing legal system with its British derivations will be preserved.

A British observer pointed out that China's civil and penal traditions were a response to a cumbersome and often ungovernable country where for hundreds of years peasants have lived virtually untouched by formal government procedures.

"The Beijing government is now asking Hong Kong citizens, merely on the basis of assertion, to believe that in 14 years they will have evolved the institutions capable of assuming responsibility in Hong Kong," the observer said. "The British can't prove that the Chinese can't do it, but it's an enormous leap in the dark, and not one which is likely to generate confidence in Hong Kong's future."

Mr. Li of the Far East Stock Exchange concurred. "They changed their constitution four times in 30 years," he said. "Why don't they do something consistent to inspire our faith in them?"

The shaky optimism triggered by the resumption of negotiations between Beijing and London in July, after four sessions, faded because of the uncertainty. The leftist press of Hong Kong has hammered at the fact that Britain's encouragement of local



**ECONOMIST'S VIEW:** As the U.K.-Chinese talks on the colony continue, Xu Dixin, a Beijing economist in Hong Kong, said that it is "the Hong Kong government's responsibility to maintain the stability of the currency."

interest groups to voice opinions unofficially has had little effect.

Many groups do speak up, nonetheless, and public opinion is in play now more than ever, underlining the basic irony that Hong Kong people have no official voice, recognized as such by both sides, at the negotiation table. Despite calls from local leaders and established principles of international law suggesting that a plebiscite or referendum should be held, Beijing responds that Beijing would object and that would not help the talks. Beijing responds that Hong Kong is part of China, so a vote on Hong Kong's future would be a vote of one billion people not 5.2 million.

According to political analysts in Hong Kong, the Chinese, through leftist newspapers, are carrying on a campaign to win over the local government, the rest of the press and the professionals and academics. Student groups also were enlisted when China chose to channel its most definitive list of proposals for Hong Kong through the Hong Kong Federation of Students.

China says that sovereignty over Hong Kong will be assumed in 1997, that Hong Kong people will administer themselves and that Hong Kong's legal and economic systems will remain intact for at least 50 years.

Beijing has both warned that if the British do not cooperate, Beijing will assume sov-

erignty in 1997 "or earlier," and taken a more soothing approach by sending a representative to make the rounds of Hong Kong schools, industries or leftist unions. Amid all this, irritation in official British circles appears to be mounting — both with China for its abrogation of an agreement to keep the content of the talks secret and with Hong Kong citizens for demanding more confident and aggressive public statements from the British side.

Said a source, "They want something quotable they can rally behind to restore flagging confidence."

But, all signs point to the talks being prolonged and acrimonious, particularly because they are still bogged down over the basic question of when the British should relinquish their hand in administration.

The Chinese maintain that sovereignty cannot be separated from the responsibility for administration. What is more, they appear to many to expect Britain to hand over in 1997 a perfectly packaged, self-regulating and docile ex-colony reconciled to an irreversibly socialist future.

Amid all this, there are indications that China may suspect Britain of siphoning away Hong Kong's wealth and perhaps even the assets of the Hong Kong government, 18.2 billion Hong Kong dollars, and the exchange fund itself, 14.3 billion Hong Kong dollars.

## The Talks: A Poker Metaphor?

**HONG KONG** — The deliberations between Britain and China on the future of Hong Kong may be explained in the framework of a poker game.

It is generally believed that Britain has the stronger economic hand and China the stronger political hand. Despite supposedly secret deliberations, this picture of the negotiations is emerging.

The Chinese team, led by Chinese Deputy Foreign Minister Yao Guozhang, is offering self-rule for Hong Kong and its 5.2 million inhabitants, under a locally elected chief administrator approved by Beijing. The legal system will remain, but appeals to a high court will move from London to Hong Kong. Free speech, press, right of assembly and right of movement are on offer, although onlookers are skeptical when they look closely at China's record.

Internal security would be carried out by the Hong Kong police, but there have been hints through the press that a People's Liberation Army presence for territorial defense has been mentioned. Maintenance of a free port, issuance of a local currency and separate travel documents are also on the table. Social reforms applying to gambling, for instance, are to be decided by local guidance, but under whose influence or pressure is not clear.

Finally, the Chinese say, top civil servants can stay to help administer the ex-colony. But the British governor, flag and army must go.

The British team, led by the ambassador to Beijing, Sir Percy Cradock, and including the governor of Hong Kong, Sir Edward Youde, has kept its moves secret. But based on private conversations and leaks to the leftist press, Britain would separate sovereignty from the question of who administers Hong Kong. It also appears to seek a period of 20-30 years during which some British link acts as a buttress to Chinese promises for the future. And it wants China to abandon its formula for Hong Kong people governing Hong Kong.

The game has just finished its fourth round.

Some say China has tried to rig the outcome by offering Britain oil contracts and guaranteed trade. Others say Britain could cause trouble by freezing assets belonging to the local government, or invoking a United Nations charter for a referendum.

Each side has some strong cards. Britain can bargain with financial skills, knowledge of the government and the territory and commercial experience. But observers point to China's ace, the People's Liberation Army, which is directly across the border and perfectly willing to threaten an early takeover if Britain does not cooperate.

And, while Britain may talk of a "moral responsibility" in the affair, China can respond with talk of the "reunification of the motherland."

Britain did not strengthen its hand when it recently adjusted United Kingdom passports issued to Hong Kong residents so that there could be no misunderstanding among Hong Kong Chinese about their lack of rights of abode in the United Kingdom. The decision was seen in Hong Kong as superfluous and badly timed.

Some Hong Kong residents worry that Britain, with few political interests compared with those of China at stake, may toss in its hand. Doing so, they say, would ease Britain's worries over an awkward trade gap, tough textile competitors and a lingering colonial burden. British observers scoff at such fears.

But for China, clearly a disastrous hand-over would impinge on hopes for reunification with Taiwan. Furthermore, impairing Hong Kong's prosperity would be an enormous financial loss for China. On the other hand, if Hong Kong could administer itself successfully, relations with Taiwan might warm, and the wealth of Hong Kong would continue, providing needed foreign exchange, and domestic political points would be won.

So far, outsiders believe China is in the role of the dealer, since it was China's choice to return to the discussion table last July.

— DINAH LEE

## Industry Maintains Growth Despite Colony's Fluctuations

**HONG KONG** — Industry in Hong Kong is a success story that began with making simple plastic flowers. It now leads in the manufacture of sophisticated transistors, computer peripherals, telephonic systems and wafer chips.

Hong Kong's growth from a barren rock in the middle of the 19th century to a developing and overpopulated island under-represented territory has been so rapid that some competitors may argue that it is too developed to benefit from preferential trade agreements such as the U.S. General Scheme of Preferences.

In fact, Hong Kong may have been courting disaster with its property boom of the 1970s. The real-estate and development bubble, which began about 1976, burst in mid-1981, leaving banking, property and investment circles severely chastened. Many people blamed political factors, but careless overbuilding by banks and widespread greed had fueled the cycle.

Many, like Michael Roberts, a director of Samuel Montagu, who arranged a financial package for the ailing Trafalgar Housing, believe the worst of the property crisis is over.

Industries such as textiles and electronics, meanwhile, have kept Hong Kong on a steady annual growth of about 9 percent for the decade ending in 1982. Unlike the

property developers with their glamorous buildings in Hong Kong's central district, the entrepreneurs of Kowloon's sprawling industrial sites have turned in profits throughout Hong Kong's ups and downs.

Their success has depended to a large extent on their ability to overhaul assembly lines in days or weeks to accommodate a new fashion or market demand.

Manufacturing interests are anxious to benefit from liquid funds that no longer are lured into real estate and are being held from other projects until the political uncertainties are resolved. Among the interests seeking investors' funds are companies with contracts to produce sophisticated business telephone systems and computer peripherals. The Hong Kong stock market has seen new issues from industrial companies for the first time in two years, and most have been heavily oversubscribed.

Evergo Industrial Enterprise Ltd., Atlas Industries and Lambda Electronics have led the way, although some analysts criticized Lambda for mixing property expansion with technical development.

Skeptics worry about two things: that expansion is mostly limited to rented rather than purchased capacity and that foreign investment decisions — such as the move by Commodore Electronics of the

United States to invest in Hong Kong and not Singapore — were made well before worries about the economic recovery gave way to bigger concern about what will happen in 1997.

Hong Kong's oldest industry, textiles, employs 40 percent of Hong Kong's work force and makes Hong Kong the largest exporter of textiles, yarns and finished garments in the world. In spite of recession, Hong Kong exported 33 billion Hong Kong dollars' worth of textile goods in 1982.

However, Hong Kong's textile manufacturers may have been too competitive. Although order books are full for six months, the industry is worried that trouble over quotas in the U.S. market, Hong Kong's biggest, will interrupt the business upswing.

In July and August, Hong Kong was threatened with 10 "calls," which are suspensions of exports of garments ordered by U.S. wholesalers. Although the number of restrictions later was reduced to five, Hong Kong trade officials accused the United States of harassment. The garment industry complained that some of the suspended items had just been "liberalized," or freed from quantitative restrictions, in difficult negotiations with the United States.

A leading exporter of sportswear, Stanislaus Tso of Lai Sun garments, explained the complaints with an example of Category 647 — men's and boy's jeans made of a mixture of synthetic and cotton fibers.

"In the last negotiations, Hong Kong was forced in the end to accept 279,000 dozen, or less than 30 percent of our traditional ceiling of one million dozen before the so-called 'liberalization,'" he said.

The U.S. calls left millions of dollars' worth of garments in factories throughout Hong Kong.

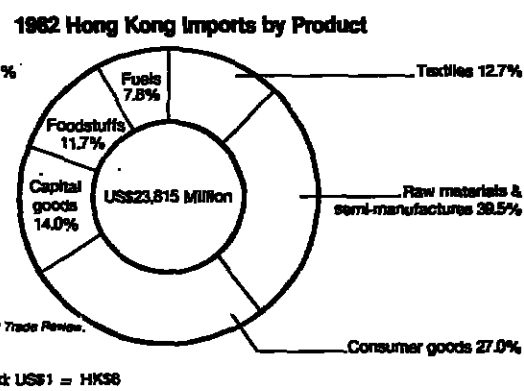
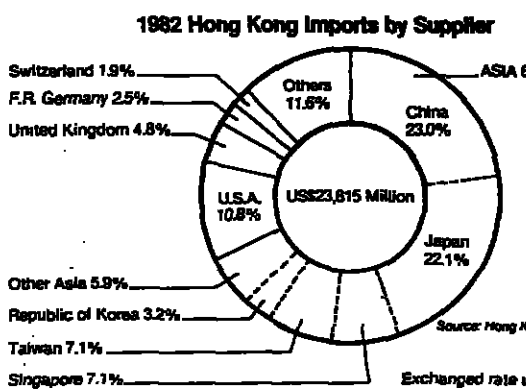
The chairman of the Hong Kong Chamber of Commerce, Jimmy Macgregor, predicted, "There is a big danger for Hong Kong in a presidential election year because promises will be given to the strongest lobbies — including the textile lobby — and sooner or later they will have to be delivered on."

— DINAH LEE

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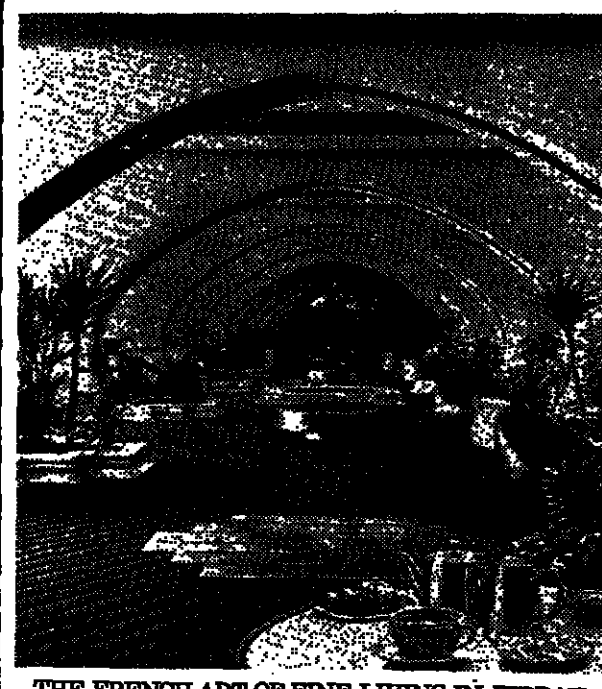
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## HONG KONG

### Carrian Bankruptcy: The End of an Era?

HONG KONG — Nothing could have signaled the end of a remarkable era in Hong Kong's property sector more than the arrest on Oct. 2 of George Tan, chairman of the Carrian group. Under Mr. Tan, Carrian rose out of nowhere, funded by no one knew whom, to set up some of the biggest property deals in Asia's history.

Under his chairmanship, the Carrian group — so anonymous and extended as to be called recently by the Hong Kong Commission for Securities simply the "George Tan group" — threatened to become the biggest bankruptcy of a private company in history with debts estimated to be between \$600 million and \$1 billion.

Carrian grew out of an obscure company called Mai Hon Enterprises and purported to be owned by Southeast Asian families, with the Chinese Singaporean Mr. Tan as its winning chief executive officer. He brought the company to attention with the quick turnaround of a luxury office block in Central District, yielding a profit of 400 million Hong Kong dollars, against a purchase price of 1 billion Hong Kong dollars, in only a few months.

In a second deal, Carrian reportedly paid 2.8 billion Hong Kong dollars for a hotel

and predicted that profits from redevelopment could reach 1 billion Hong Kong dollars by 1985. It was the height of Hong Kong's property boom, and no one questioned where Carrian's limitless funds originated, least of all, it appears, about 50 creditors who continued to lend to Carrian. Carrian's reputation was made — but as what no one was quite sure.

With the collapse of the entire colony-wide property market boom in late 1981 and the fall of the local dollar after Prime Minister Margaret Thatcher's visit to Peking in late 1982, it appeared that Carrian's own billion-dollar star would not rise again. Foremost among Hong Kong's collapsed property giants, Carrian and its mysterious links to large-scale Malaysian funding, primarily from Bank Bumiputra, began to emerge.

Bank Bumiputra's own debts to Carrian appear to be somewhere between \$320 million and \$535 million. This fact is politically explosive in Malaysia, for Bank Bumiputra, Malaysia's largest bank, was established by the government for the purpose of leading for Malay domestic development, not Hong Kong Chinese property speculation.

The lending was made through a Hong Kong finance arm, Bumiputra Malaysia Fi-

nance, and in July, a newly arrived officer of BMF, sent from Kuala Lumpur to investigate BMF's dealings with Carrian, was murdered. It is believed his murder was not connected directly with BMF's Carrian investigation. (By then it was complemented by many other investigations conducted by various official organizations in Hong Kong). But clues in the murder hunt reportedly led to the raid.

The raid and concurrent investigations by the Hong Kong Securities Commission, the independent commission against corruption, and the Organized and Serious Crimes Bureau, put off creditors' appetite to resuscitate the ailing company. The plan devised by the advisers, Wardleys (on behalf of creditors) and Hambros (on behalf of Carrian) looked permanently comatose, if not actually dead. Mr. Tan, who was once seen as a local wunderkind, appeared in the magistrate's court on Oct. 4 on charges of fraud. His executive director, Bentley Ho, was also charged with false accounting. However, it is unlikely that the saga will end neatly. "The real story is to be found in Malaysia, and it is unlikely first that investigators can unravel it all, and secondly — how could any jury understand it," a well-placed source said.

— DINAH LEE

### Controversy on Proposed Banking Rules

By Jo McBride

HONG KONG — With a real-estate market in collapse, a manufacturing sector in recession and a political future in doubt, appraising the lending assets of Hong Kong's financial institutions is difficult.

Less so, but still debatable, is the valuation of their offshore loans to developing country borrowers in the Asia-Pacific region — especially given fears generated by defaults in Latin America and Eastern Europe.

And while assets and liabilities must match, the close to judging balance-sheet quality is in the provisions made by financial institutions to take account of loans they suspect may one day turn sour.

Today, the meeting of minds that each of Hong Kong's 131 licensed banks, 29 licensed and 221 registered deposit-taking companies must reach with their external auditors on the extent of such provisions, appears to be taking a little longer.

Also involved is a controversial clause in a measure that Hong Kong's Legislative Council will likely approve this month.

The clause requires that an outside auditor undertaking an annual inspection should report to the government "any matter, which, in his opinion, adversely affects the financial standing of a [deposit-taking] company to a material extent."

A banker, who asked not to be identified, said, "What this amendment does is to enshrine in law the very nice principle of squealing on clients, and in a way that leaves a whole lot of leg room to the squarer."

The failure of a handful of deposit-taking companies at the turn of this year has stiffened the government's resolve to tighten its control over their activities.

The two major shareholders of one failed deposit-taking company, Dollar Credit and Finance, were also shareholders and executives at the Hang Lung Bank, which the government took over Sept. 27, when the institution could not meet its liabilities to its clearing banks.

Financial Secretary John Bremridge had secretly kept the Hang Lung acquisition bill ready for some months so that it could be approved at a moment's notice by the Legislative Council.

New regulations covering the operations of all banks have been making their way through the council chamber for some time. But they do not include the clause imposing additional reporting responsibilities on auditors.

Hong Kong's deposit-taking companies range in size and stature from very large to very small. At the top are institutions such as Chase Asia (owned by Chase Manhattan), BOT International (owned by the Bank of Tokyo), BA Asia (a Bank of America subsidiary), LBI Finance (which belongs to Lloyds Bank International) and many more wholly-owned subsidiaries of leading U.S., European and Japanese banks.

Together, such institutions last year packaged about \$24 billion in syndicated credit instruments on behalf of borrowers in the Asia-Pacific region, for which Hong Kong is the leading hub.

Some executives of deposit-taking companies express negative sentiments about the auditor's responsibility clause. But Robert Goff, chairman of the auditing standards subcommittee of the Hong Kong Society of Accountants, said the new legislation was insufficiently positive to allow auditors to discharge both their traditional duties to shareholders, and "the responsibility which we do feed" to the community at large.

The subcommittee believes the manner and timing of the newly required report look vague. Instead, it recommended a system under which auditors would undertake limited quarterly reviews of deposit-taking companies' clients.

Any problems uncovered by these examinations could then be raised with the clients while the worries were current, rather than after the close of the financial year when the audit is done. If necessary, any difficulties could then be brought by the auditor and his clients to the attention of the commissioner for deposit-taking companies, Colin Martin.

What irritates critics is the commissioner's known preference for not accepting bank and deposit-taking companies' annual accounts with qualifications from their auditors. The critics believe that qualifications could focus the commissioner's attention on possible weak spots in the balance sheet.

As a result of the commissioner's view, auditors who are unable to agree with clients on such matters as the extent of provisions to be made against risk assets going bad and wish to qualify their opinion of the accounts, can find themselves fired by the client who then appoints a more compliant accounting firm.

For his part, Mr. Martin acknowledges that he "would much prefer, if humanly possible," that banks' and deposit-taking companies' annual statements be free of qualifications, because these accounts are open to public scrutiny and such caveats can undermine depositor confidence.

He points out, too, that his door has been open to auditors and clients of financial institutions who are unable to resolve their differences. These problems aside, the performance reflected in the 1982 accounts of Hong Kong's 30-odd

locally incorporated banks is as mixed as the commercial environment in which they operated.

The Hongkong and Shanghai Banking Corporation, which with its subsidiaries is widely thought to have about 60 percent of all local currency deposits, had a consolidated net profit increase of 11.38 percent, low by its standards, to 2,357 billion Hong Kong dollars, on an asset increase of a little more than 20 percent, amounting to 379.186 billion Hong Kong dollars.

At the other end of the scale, the Chi Yu Banking Corp., one of the 13 Beijing-controlled banks in the territory, which as a group are popularly assessed at having 30 percent of local currency deposits, saw its profit decline by 40 percent, to 14.6 million Hong Kong dollars, despite an asset increase of 60 percent, or 717 million Hong Kong dollars.

Both institutions increased their capital during the year.

No earnings figures are available for the branches of the more than 90 foreign banks doing business out of the territory. Like deposit-taking companies they are often active in lending offshore to borrowers in the Asia-Pacific region, which — with Latin America and Eastern Europe now unpopular — has in the last 18 months become one of the few relatively bright spots in international lending.

Increased competition has led to a shrinking of the interest banks can earn on loans, falling to as little as 375 percent over the cost of their funds, which are typically borrowed in the London-based Euro-dollar market.

By the middle of this year entities from Australia, Thailand, Malaysia and South Korea had all been able to obtain loans at this rate — though this has changed somewhat since then — putting them on a par with many Western European borrowers.

### Stock Market Follows Mood of Talks

HONG KONG — Brokers have their own way of referring to the event that sent the Hong Kong stock market to a low of 676 on the Hang Seng index last December. They call it "B.T." — before Thatcher.

They are referring to the visit to Beijing by Prime Minister Margaret Thatcher of Britain in September 1982. It was from that visit, and her assertion there that Britain regarded its treaties with China for the island of Hong Kong, Kowloon and the New Territories as valid, that the political crisis began.

Following the property collapse in 1981 that brought big speculators such as the Carrian group, Eda Investments and Byamson and Associates to their knees, 1982 saw total turnover halved to 46.2 billion Hong Kong dollars from the previous year. The climate for raising new funds was arid.

Brokers now say that last year's share issues were more like distress calls from struggling property companies that had been denied new funds from already overextended bankers. In a case like the now-famous Carrian disaster, the debts are estimated to be at least \$600 million and as recently disclosed, possibly as much as \$1.25 billion, with about 50 creditors including Hong Kong's leading banks involved.

This year there has been slightly more confidence in new issues, and late summer saw a flurry of entries motivated by the availability of excess liquidity. Moving into the spotlight were manufacturing and trading equities. The market share of property stocks, on the other hand, slumped in contrast from around 50 percent to 60 percent before Mrs. Thatcher's 1982 tour to less than 30 percent currently.

The most popular manufacturing stocks have been those that exploit the U.S. economic recovery and demand for sophisticated electronics used in computer peripherals, microcomputers and complex business telephone systems. An exception was Burwell Trading, a metals house, which was more than 20 times oversubscribed.

"When you have new issues in Hong Kong that are 10-20 times oversubscribed, the local guys are going to come in because they are speculators at heart," said Mr. Hoosomally. "Even though the political situation is uncertain, the economic fundamentals are improving."

Politics or no, the Hong Kong stock exchanges — the Far East exchange, the Hong Kong stock exchange, the Kam Ngan exchange and the Kowloon exchange — are expected to merge under a 1980 plan and to begin trading in 1983 at the newly constructed "exchange square" complex.

"When we merge, the exchanges will improve our overseas image, centralize the clearing system, devise certain methods to protect the public better and also aim at increasing brokerage rates," said Ronald Li, the chairman of the Far

East Stock Exchange, Hong Kong's largest.

Membership legislation will also be reviewed, and, according to Mr. Li, banks probably will be allowed memberships through corporate joint ventures.

With 14 years to go before the British lease on the New Territories runs out, the act of building a new exchange appears to be an act of faith in Beijing's word that Hong Kong's economic and financial institutions are to remain the same for 50 years.

— DINAH LEE

### ns Growth Fluctuation

with there is to Hong Kong, the area's economic growth is spreading around to other parts of the region.

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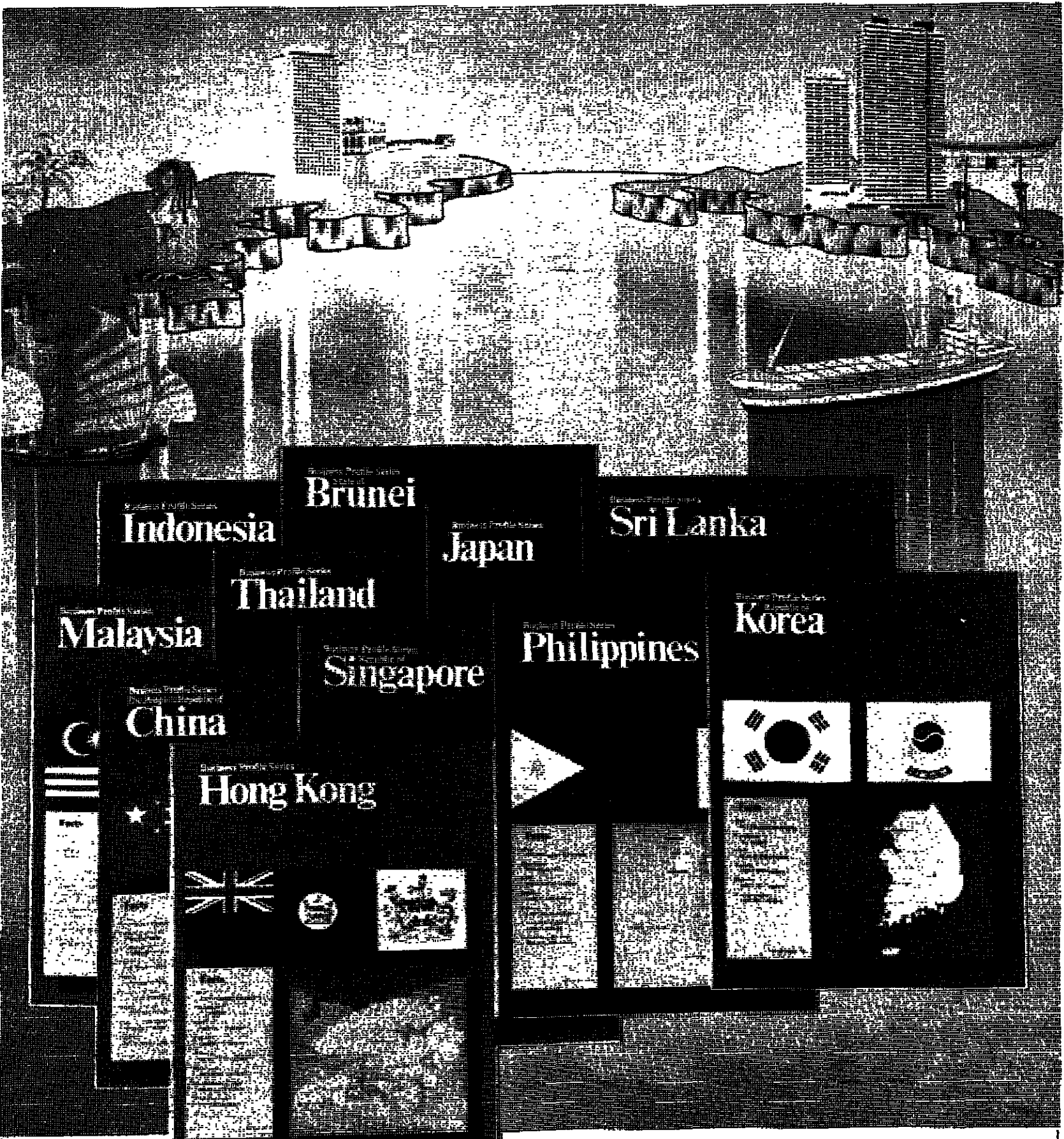
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## HONG KONG

## Young Designers Bid for a Place in World Fashion

By Winsome Lane  
**HONG KONG** — Vigorous attempts by Hong Kong, once a synonym for cheap, shoddy clothes, to move its image up in the fashion world have been aided by its own young creative talent.

Hong Kong labor, which once drew manufacturers because of its availability and low cost, is no longer cheap, but the expertise in fine tailoring and in the ancient Chinese crafts of hand-embroidery and beading probably can be found nowhere else in the world in such abundance.

There is the enormous capacity for hard work, often alien to Western industry, that makes the Hong Kong garment factory still an economical proposition for the overseas designer.

Top designers from the fashion capitals of the world are coming to Hong Kong to have their designs made up, and Hong Kong itself has bred a school of young designers who are selling and flourishing worldwide.

These designers, all but one Chinese and all under 35, have been trained in Hong Kong. Their creativity and inspiration, however, are of Chinese origin.

Their use of the *cheongsam*, the mandarin jacket, and flowing shapes reminiscent of imperial

"These designers, all but one Chinese and all under 35, have been trained in Hong Kong. Their creativity and inspiration, however, are of Chinese origin."

robes and Cantonese opera, and particularly the use of embroidery and beading, is wholly oriental.

Their designs parallel world trends, interpreted with a Chinese voice. The beading and embroidery is currently fashionable around the world, and during a showing of Hong Kong fashions in Paris this year, the young designers featured in *La Mode Chinoise* at half the price of the embroidered Paris haute couture creations.

The craftsmen in Europe still doing the fine and complicated work have become almost prohibitively expensive. In Hong Kong, the Chinese refugees earn their living with crafts learned from grandmothers and great-grandmothers.

The arts of beading and embroidery embellished the gowns of the emperors' concubines, as well as the costumes of the venerated actors in Cantonese and Peking opera.

When Hong Kong first decided to develop style and quality, the Hong Kong Trade Development

Council established its own ready-to-wear festival, attracting buyers from all over the world. It ended in 1979, when the Excelsior Hotel closed its convention center, which was the only suitable place for the show.

In 1980, the trade council for the first time had its own showing at the Paris ready-to-wear collections. Commercially it was a great success and orders flowed in.

This year there was another first, when the trade council showed clothes under the labels of individual designers and staged its own gala during the top designers' section of the collections.

It was also a calculated attempt to beat the quota restrictions that Europe imposes on Hong Kong. Quotas specify numbers of garments. If each garment is upgraded, to enter the more expensive markets, total income to Hong Kong can be doubled or trebled without any increase in quota.

Twelve young Hong Kong designers showed their clothes under

their own names — designs in leather and suede, silk and fur — and aimed at the top of the market.

Len Dunning, executive director of the trade council, said afterward, "We are here to make the name of the young Hong Kong designers known to the world."

Though a small number of orders were received, he said, "We have done what we tried to do and put them on the map; the rest will follow."

Some of the designers were already known to the world. Jewelry creator Kai Yin-Lo, who was one of the first to design the now fashionable heavy jewelry entirely in natural, semi-precious materials, already was selling to New York stores and had her own boutique in Bloomingdale.

Regence Lam, Hannah Pang and Judy Mann were also selling worldwide, and Eddie Lau, creator of avish evening dresses with 14-yard (13-meter) skirts that are his trademark, was doing a brisk business in Canada and Europe.

Also showing in the Hong Kong Paris gala was a U.S. designer, Diane Freis, who lives in Hong Kong. She was described as "the greatest fashion hit of the decade."

She sells a loosely fitting, flowing dress in brilliant, clashing color combinations and diaphanous synthetic material that can be crushed into a ball in a suitcase and emerge creaseless.

The dress, available in a variety of colors and prints, comes in one size for one price, \$75. British and U.S. buyers say supplies cannot keep up with the demand. The designer, who has lived in Hong Kong for more than eight years, says she gets her inspiration from the Far Eastern way of life and the high pressure world of Hong Kong.

Hong Kong manufactures a vast range of knitwear. It has proved so popular that in 1981 Hong Kong became the world's second largest exporter of knitwear. First place is held by Italy.

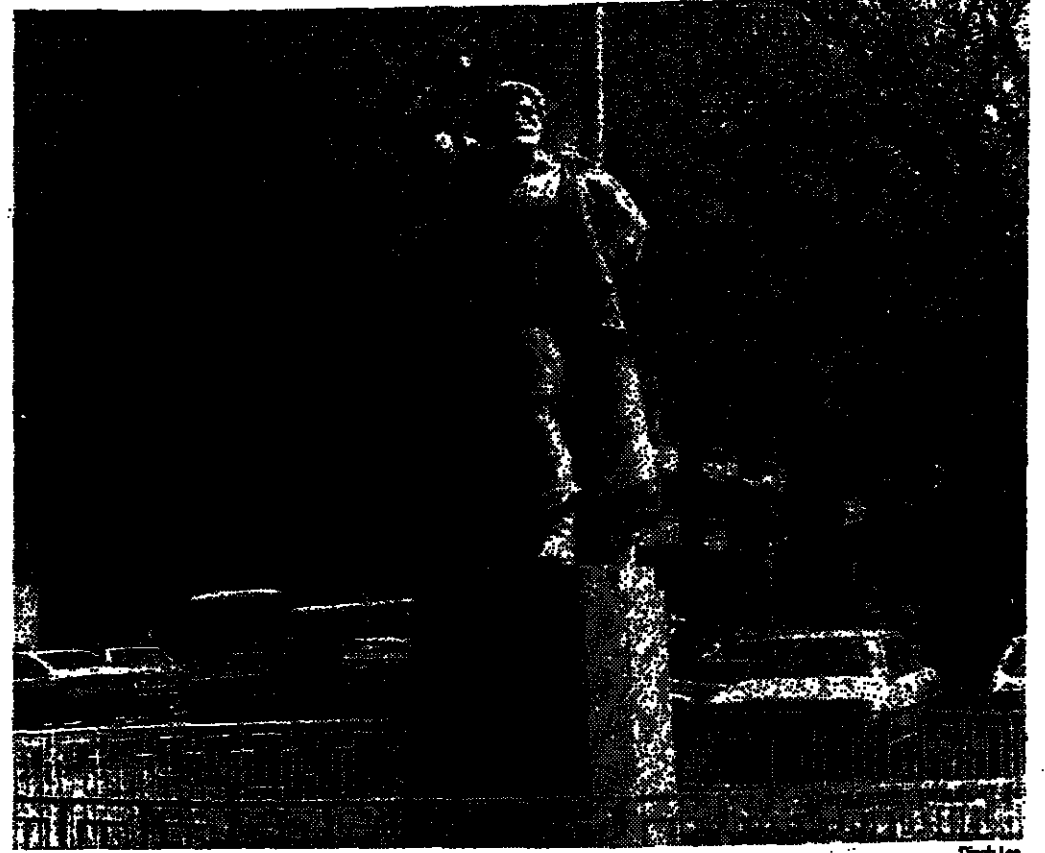
To push Hong Kong to first place, the trade council and the International Wool Secretariat are organizing a Hong Kong knitwear festival in October, the first ready-to-wear festival to be held in Hong Kong since 1979.

Japan, which supplies most of the yarns used in the knitwear, but is one of the smallest buyers, is the main target of the festival.

Seminars and workshops have been held since the beginning of the year in which Hong Kong designers, spinners and knitters are advised by exporters on the requirements of the Japanese market. More than 200 Japanese buyers are expected, as well as many from the United States and Europe.

In January another major international promotion of Hong Kong fashion will be held in New York, when the most talented of the young designers will show their clothes for spring and summer in a show organized in conjunction with the National Retail Merchants Association of America.

The fashion show will be held with an exhibition of other Hong Kong products in the Sheraton Center. Hong Kong designers, who last showed in the United States in 1976, will offer the critical American public a spectacle called "The Return of the Five-Toed Fashion Dragon."



A Macao statue honors the first European to reach China by sea.

## Macao: The Other Enclave

(Continued From Page 7)

water, telecommunications and transportation systems. The gambling syndicate, the Sociedade de Turismo e Diversões de Macao, is run by a Hong Kong businessman, Stanley Ho. It has a casino turnover of about \$150 million annually. Ten percent goes to the government as tax, and another 10 percent goes to a development fund. Gambling dollars are used for specific road and housing projects as well as to build up a stronger foreign-exchange reserve fund.

The new Portuguese administration, under the guidance of João António da Costa Pinto, secretary for economic coordination, was the first to draw up banking legislation, leading to the licenses for the international banks. In exchange, the banks have committed themselves to help develop Macao.

The new banks are the European Asian Bank, the Chartered Bank, Citibank, Banque Nationale de

Paris, Indosuez and Bank of Credit and Commerce International. Banco do Brasil has arrived, three Portuguese banks are to follow and the Hongkong and Shanghai Bank is stepping up activities in Macao.

Until recently the bank performing central banking functions was the Banco Nacional Ultramarino. Still the government's official banker, its quasi-supervisory duties have been given to a new structure, the Instituto Emissor de Macau. The IEM has introduced more regulatory requirements for the banks and hopes that with contributions of ideas and skills from the new banks, the IEM can create a financial center in Macao.

The idea that the new banks, already fiercely competing for very limited existing business, will contribute significantly to building their own market has been received with mixed reviews.

Some of the banks said that asking them to set up a stock exchange or a foreign exchange market in

Macao would be a challenge. Some also say that the banking legislation is too vague. However, Mike Scott, manager of the local Hongkong and Shanghai Banking Corp. branch said, "The government has not been unreasonably cautious. They can learn from other people's mistakes. The banks are expected to make a contribution."

All of Macao's development projects would help reduce its dependence on Hong Kong, Macao officials say. But, Mr. Costa Pinto said, he acknowledges Macao's economy will always be linked to Hong Kong.

Part of Macao's survival, he said, will be complementing the Hong Kong economy. "We felt that the traditional model for development — textiles, transistors, and toys — was at an end," said Mr. Costa Pinto. He is directing the Macao economy away from its textile base (traditionally 80 percent of the territory's exports) and toward electronics, food and beverage processing, tourism and financial services.

Nevertheless, said Macao's ancient, untended buildings, its crowded unkempt streets, some people voice skepticism about the speed of Macao's revitalization.

— DINAH LEE

## Tourism: Diversifying the Attractions

By E.J. Dunfee

**HONG KONG** — Hong Kong has few natural tourism resources, but it has tried to create its own.

The Hong Kong Tourist Association, considered Asia's best national tourist office and recognized within the industry as pragmatic and energetic, has tried to diversify the colony's marketable attractions.

Hong Kong had long been thought of as a financial capital and a place for bargain shopping. In the absence of efforts by private industry, government tourism officials have attempted to widen the perspective by organizing tours of the virtually undeveloped New Territories. Despite aggressive marketing of the tours of the countryside, called "the land between" the financial colony and China, they have not attracted as many tourists as hoped.

However, tourism officials believe the tours represent an alternative to traditional activities. Although the mid- and late-1970s are considered the best years for tourism in Hong Kong, the colony continues to attract a growing number of visitors. In 1982, 2.6 million visitors arrived in the colony, a 2.9-percent increase over the previous year.

Tourism receipts last year amounted to \$7.7 billion Hong Kong dollars, a 7.7-percent increase from 1981. This year, between January

and June, receipts were up 25 percent while the number of people arriving increased 5 percent.

A number of external factors are influencing the direction of tourism development for Hong Kong. Notably, there is the accelerating emergence of China itself as a major tourist destination. The colony, as a prime gateway cannot help but benefit, although statistics are not available.

The continuing decline of the Hong Kong dollar also is expected to help tourism. The number of travelers from Japan and the United States, Hong Kong's two biggest sources of visitors, increased significantly in the first six months of 1983. The strength of those countries' currencies against the Hong Kong dollar is widely considered to be the main reason.

The oversupply of hotel rooms common now across Asia is crippling in cities such as Manila and Bangkok and disturbing in Singapore. But in Hong Kong, it is tolerable, officials say.

As long ago as 1957, the government declared it wanted Hong Kong to be known as a resort-style destination. But in creating a financial center out of what was essentially a refugee haven, that goal was not accomplished. However, hotels are being built on at least two of the colony's more than 250 outlying islands. A major property is planned for the city of Shatin, in the New Territories.



Display for wealthy tourists: A jade incense burner priced at U.S.\$30,000.

## Barometer of U.K.-Chinese Talks

(Continued From Page 7)

local banks to aid the Hong Kong dollar, foreign exchange dealers saw few signs of government intervention.

"Half the problem with the exchange rate is lack of political confidence," said Sir John. "But to be fair the U.S. dollar has been unusually high for many months. All we can do is control abrupt moves, and we can't stop people taking a position against the local currency."

The general climate was not assisted by the unsolicited comments of a senior Chinese official visiting from Peking the week of the dollar's fall in September. To the effect that Hong Kong's government was responsible for maintaining the strength of the local currency, and that "whoever issues bank notes should be responsible for them."

In what might be construed as a retort to the Chinese economist, Sir John said in a speech in mid-September, "The depreciation of the Hong Kong dollar is... not principally due to economic factors. It is not possible for the government to

fix the exchange rate of the Hong Kong dollar to any particular level."

A recent increase in interest rates of one and a half percentage points did not seem to significantly help the dollar, but sources said that some members of the association of banks had proposed raising rates by as much as two and a half points.

Too sharp an increase in rates would risk damaging the embryonic recovery of the manufacturing sector trying to make the most of renewed overseas demand. Already the weakening dollar has dampened the purchasing of new equipment and capacity, which is not expected to grow at all this year. In the first half of 1983, many of the major imported capital goods declined in volume terms, the most significant being textile machinery and transport equipment. While the prices of domestic exports and re-exports rose on average by 5 percent compared with the first half of 1982, prices of imports rose by seven.

Fortunately, any recent slowdown in the U.S. recovery has not

yet hit local shores. Shipments of Hong Kong-made goods to the U.S. rose to 21 billion Hong Kong dollars during the first seven months of this year, or 30 percent more than in 1982. In value terms that is higher than exports to all the nine other major markets of the colony. At the same time exports to China and Canada rose significantly as well. The increases averaged out for all markets to 14 percent, which even with an inflation rate of about 9 percent reflected an unmistakable revival of the trade economy.

This has led to a prediction by the financial secretary that Hong Kong's growth for the year will reach 5.5 percent to 6 percent compared with his February estimate of 4 percent. He also said in an interview that unemployment had dropped to nearly 3.9 percent from May to June in Hong Kong where 3 percent is considered full employment.

"I think we shall see it staying that way for some time to come. The electronics and garments industries are already saying they are short of labor," he said.

In the short term, therefore, Hong Kong's traditional resilience and entrepreneurial energy can carry the territory through its tortuous wait for a resolution of the Chinese-British talks. "The going is going to be rough, and in our daily work we are going to have to face up to that," a senior Hong Kong government official recently commented. Most officials and business executives — British and Chinese alike — agree that the news from Beijing is crucial to an otherwise optimistic outlook.

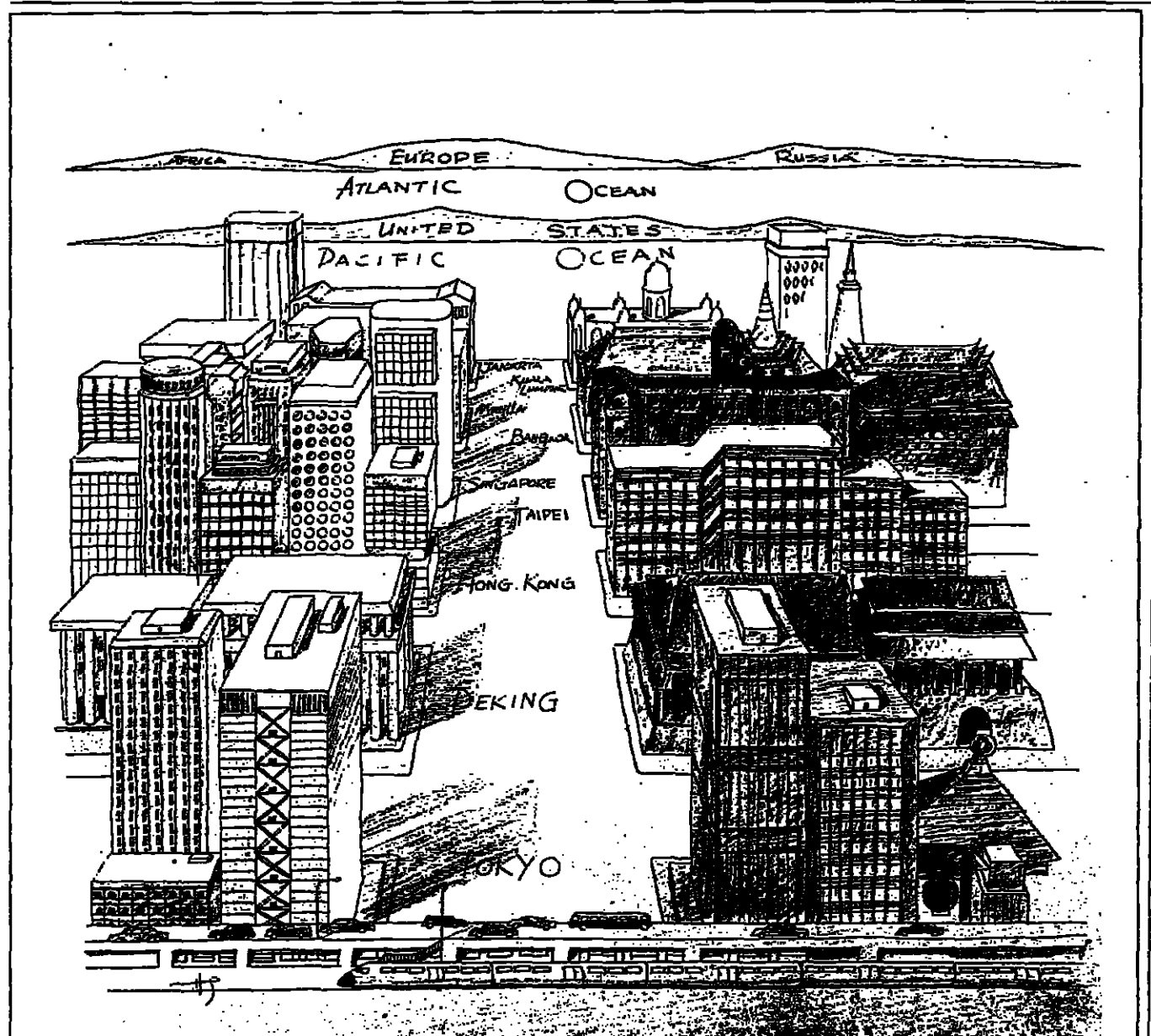
Clearly Beijing resents any implication that its actions are responsible for the concerns.

Mr. MacGregor, who has a vantage point from which he sees investment flow in both directions, said: "I know many cases of companies that are looking to sell out. They won't say they've had enough of it, they just say they'd like to have a joint venture with a foreign outfit to put more capital into the production systems and so forth. But the real concern, of course, is that they want some of the fixed assets out and their liquid assets in U.S. dollars."

Of course, there is no visible flood, and many international firms involved in banking, international law and certain kinds of communications are in a different position. "We'd be here, just as we're in Peking, no matter who was in charge," said an expatriate lawyer. "Geographically it's a perfect regional center, and our kind of business isn't so dependent on local sentiment."

For their part, the Chinese sometimes appear not to weigh commercial concerns as heavily as they should. An official of the Chinese Politburo, Xu Zhongqun, said last May: "No matter what, Hong Kong will continue to prosper. Both the money and the people will come back. If people have no confidence, they can go. They can come back later."

— DINAH LEE



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THURSDAY, OCTOBER 6, 1983

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Page 11

## WALL STREET WATCH

By EDWARD ROHRBACH

### Some Analysts Guess Stock Market May Just Move Sideways for a While

From another "October Massacre" to a sharp new rise setting records, current stock market predictions, as usual, are accommodating all

With these extremes presenting investors with a choice between getting

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## Outlook for U.S. Steel Industry Brightens

### 2 Troubled Sectors Are Expected To Make Gains by Early Next Year

By Steven Greenhouse

New York Times Service

NEW YORK — With the proposed merger of Republic Steel and LTV Corp., heavy layoffs at U.S. Steel and third-quarter losses

But there is apparently some good news around the corner. Analysts

Analysts predict that the industry's limping sectors — structural elements

and steel plate — will improve early next year as the anticipated

upswing in capital spending materializes. They say that this should

help revive U.S. Steel and Bethlehem Steel Corp., now the industry

leaders, and should improve the prospects of LTV Steel, as the merged

company will be called if shareholders and the U.S. government

approve the agreement.

New orders for capital goods such as machine tools and increased

construction of highways, bridges and office buildings should raise

both demand and prices for the industry's heavier products. Its lighter

end, mainly sheet steel, has already recovered as auto output has

rebounded.

"We've seen a split market this past year," said Bernard Lashinsky,

chief economist at Inland Steel Co. "The sheet steel market has

recovered in 1983 and will continue to grow, but we're expecting

heavier products to show the largest percentage improvement in

1984."

This year, the production of sheet steel, which represents about 40

percent of steel output and is used in appliances as well as in

automobiles, rebounded to about 80 percent of capacity as consumer

goods production led the United States out of the recession.

At the same time, the manufacture of heavy products such as

structural steel, used in building construction; plate steel, used in

machine tools, and reinforced bar, used in highway construction, has

hobbled along at less than 45 percent of capacity.

National Steel Corp., Inland and Republic, all of which devote half

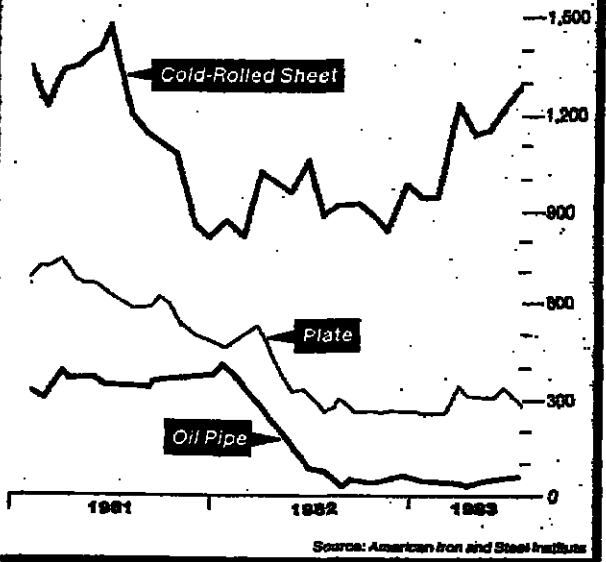
or more of their facilities to sheet, have benefited most from the

upturn in that product. Sheet output in the first six months of this year

was up 15 percent from the comparable period in 1982. At the same

### An Uneven Recovery for the Steel Industry

Month-to-month percentage change in production



time, production of structural steel in the period fell 15 percent, and

plate dropped 30 percent.

About half of LTV Steel's production would be sheet, with the rest

divided among slower-moving products like oil drilling pipe and

reinforced bar. And the company would nudge Bethlehem from No. 2

to No. 3.

Over all, domestic steel production ran at 55 percent of capacity in

the first half of this year, and analysts predict it will total 68 million to

70 million tons of finished product by the end of the year. This would

be an increase from 61.6 million tons last year, but down markedly

from 100 million tons in 1979. Mr. Lashinsky expects domestic steel

(Continued on Page 13, Col. 4)

## Bank of Montreal To Buy Harris For \$546 Million

The Associated Press

CHICAGO — The Bank of Montreal, Canada's third-largest

bank, agreed to acquire Harris Bankcorp Inc. of Chicago for about

\$546.6 million, the companies announced Thursday.

Harris Bankcorp is the parent of Harris Trust & Savings Bank, the

third-largest bank in Chicago and the 33rd-largest U.S. bank.

The agreement, approved by directors of both banks, provides that

Harris stockholders receive \$82 for each of their shares. Harris has

about 6.66 million common shares outstanding.

In addition, trustees of Harris family trusts and individual members

of the Harris family, representing more than 25 percent of Harris'

common shares, have agreed to sell their shares to Bank of Montreal for \$82 a share.

They also have agreed to vote their shares in favor of the proposal

at a special stockholders' meeting, the companies said.

The agreement is subject to approval by Harris Bankcorp shareholders

as well as regulatory agencies.

If the acquisition is completed, the Bank of Montreal would become

the largest Canadian financial institution in the United States

and would jump ahead of the Canadian Imperial Bank of Commerce

to become Canada's second-largest bank in terms of assets after

the Royal Bank of Canada.

The Bank of Montreal, with assets of \$63.7 billion Canadian dollars

as of July 31, has subsidiaries in New York and California.

Harris Bankcorp has assets of \$7.6 billion. In addition to the

downstream Chicago bank, the holding company owns two suburban

banks and has plans to buy four others for \$38.6 million.

Canadian Bank's Strategy

Earlier, Douglas Martin of the New York Times reported:

The Bank of Montreal's push into the United States is partly a

function of rather low returns on its assets compared with other Canadian

banks, and partly a reflection of its high involvement in the troubled

Mexican and Brazilian economies.

Arthur P. Soter, chief bank analyst for Morgan Stanley & Co., an

investment banking firm that acted as adviser to the Bank of Montreal,

said that Harris is strategically situated for developing business with

medium-sized companies. This so-called middle market is considered

by many banks to be especially lucrative because medium-sized

companies usually must pay considerably more for loans and other

banking services than do larger concerns.

Like the Bank of Montreal, Harris had traditionally catered to

large corporations, but in recent years, as competition for this

business became especially keen and as profit margins narrowed, the

Chicago bank changed its strategy and began to focus on middle-market

companies. It also aggressively developed a credit card business,

seeking to enroll consumers across the United States.

For the Bank of Montreal, acquiring Harris would be a major

step in the Canadian bank's mounting drive into the American

market, analysts said. Acquisition of the Chicago bank, however,

might force Bank of Montreal to divest itself of its other bank holdings

in the United States because American law, up to now, prohibits

interstate banking.

## Dow Jumps Manila Devalues Currency by 21.4% To Near Record

By Colin Campbell

New York Times Service

MANILA — The Philippine government devalued its currency

21.4 percent against the U.S. dollar Wednesday in response to financial

pressures that have apparently been aggravated by political opposition

to President Ferdinand E. Marcos.

The peso, which had been 11 to the dollar, was devalued to 14 to

the dollar. The central bank said the move was necessary because of

an \$800-million balance-of-payments deficit in the third quarter, a

strong U.S. dollar, "increased speculation against the peso and the

need to prevent further erosion in the international reserve."

Several hours after the announcement, several thousand of

office workers in the financial district of Manila joined in a peaceful

protest against the government, complicated with cheers for U.S. President

Ronald Reagan for indefinitely postponing the visit to the

Philippines that had been planned for next month.

The Marcos government has come under increasing attack since the assassination of the opposition

leader Benigno S. Aquino Jr. 21 as he returned from three years of

self-exile in the United States.

The devaluation announced Wednesday was the second since

June 23, when the value of the peso was lowered 7.3 percent.

The government in recent years has had to concentrate on the

problems of sluggish export earnings and rising payments on its

\$18-billion foreign debt. In recent weeks, moreover, the Marcos

government has been confronted with the flight of local capital abroad

and with the unwillingness of the International Monetary Fund to

provide it with further access to hard currencies unless it tightens its

belt.

The current political uncertainty here has also dissuaded some

foreign banks from lending the Philippines more money. The minister of

trade and industry, Roberto V. Ongpin, said in an interview this

week that several medium-sized U.S. banks had been horrified by

the sight on television of street fighting in Manila.

A statement issued by President Marcos Wednesday said the devaluation

had been ordered after the International Monetary Fund had

"asked for drastic reforms as a condition to granting standby credit."

"The IMF credit line, in turn, was considered essential in the

scheduling of outstanding Philippine loans with various international

financial institutions," the statement added.

Cesar Virata, the Philippines' prime minister and finance minister,

was quoted as saying in recent days in Washington, where he has

been negotiating with the IMF,

that his government was still able to pay its debt.

President Marcos has held a series of meetings since Sunday with

the country's leading businessmen and bankers in an attempt to enlist

their support in dealing with what has rapidly turned into a financial

crisis as well as a political one.

He is said to have told the businessmen, many of whom have

become sharply disenchanted with him since the death of Mr. Aquino,

that they should put aside their political hostility in the interest of

ending off both financial insolvency as well as the kind of political

turmoil that could lead to gains for the violent left.

The businessmen have replied, according to various accounts of

these private meetings, that Mr. Marcos must listen more seriously

to their calls for an honest investigation of the Aquino killing.

## Regan Predicts Approval of IMF Bill

The Associated Press

WASHINGTON — Treasury Secretary Donald T. Regan said

Thursday he believes Congress will approve the \$8.4-billion increase in

the U.S. contribution to the International Monetary Fund, but

predicted the vote "will be a squeaker."

Mr. Regan hinted that Democratic congressmen will be given

an "explanation" — but not the apology they have sought for a

controversial letter attacking them after they supported the administration

position on the bill. He said once that issue is settled and a

compromise is reached on domestic housing, the IMF bill will be

approved.

"It will be a squeaker, but I do think it will go through," he said in

a breakfast speech to the U.S. Chamber of Commerce.

The Republican Congressional Campaign Committee sent letters

to the home districts of 20 congressmen accusing them of "supporting

Communism" after they opposed an IMF bill amendment

prohibiting the United States from supporting IMF loans to "communist

dictatorships."

The administration opposes measures that would politicize

loans made by the IMF and had asked for defeat of the amendment.

Democrats, angered that the press releases were sent after they

had sided with the administration on the issue, have said they will

hold up action on the additional money for the international

lending agency until they receive a written apology from President Ronald

Reagan.

"I don't think the Reagan administration should apologize for

acts outside of its control," Mr. Regan said. "Nonetheless, I think

an explanation is owed."

domestic housing" needs, "then international lending."

The housing measure appropriates money for subsidized construction and emergency housing

for the unemployed besides making numerous changes in housing laws.

The bill authorizes an increase of \$8.4 billion in the American contribution

to the IMF as part of a \$42 billion in increased quotas from

member nations. It has cleared both the House and Senate but



NYSE Most Actives					
Symbol	Vol.	High	Low	Close	Chg.
IBM	12,000	124.00	123.00	123.00	+0.75
Kaiser	10,000	10.00	9.75	9.75	+0.25
Delta	10,000	10.00	9.75	9.75	+0.25
Delta	10,000	10.00	9.75	9.75	+0.25
Delta	10,000	10.00	9.75	9.75	+0.25
Delta	10,000	10.00	9.75	9.75	+0.25
Delta	10,000	10.00	9.75	9.75	+0.25
Delta	10,000	10.00	9.75	9.75	+0.25
Delta	10,000	10.00	9.75	9.75	+0.25
Delta	10,000	10.00	9.75	9.75	+0.25

Dow Jones Averages					
Index	High	Low	Close	Chg.	Vol.
Indus	1,227.70	1,224.80	1,224.80	+1.50	1,151
Trans	1,227.70	1,224.80	1,224.80	+1.50	1,151
Comp	1,227.70	1,224.80	1,224.80	+1.50	1,151
NYSE	1,227.70	1,224.80	1,224.80	+1.50	1,151
NYSE	1,227.70	1,224.80	1,224.80	+1.50	1,151

NYSE Index					
Index	High	Low	Close	Chg.	Vol.
Composite	1,227.70	1,224.80	1,224.80	+1.50	1,151
Indus	1,227.70	1,224.80	1,224.80	+1.50	1,151
Trans	1,227.70	1,224.80	1,224.80	+1.50	1,151
Comp	1,227.70	1,224.80	1,224.80	+1.50	1,151

Wednesday's NYSE Closing					
Vol.	High	Low	Close	Chg.	Vol.
Vol. of 4 p.m.	1,227.70	1,224.80	1,224.80	+1.50	1,151
Prev. 4 p.m. Vol.	1,227.70	1,224.80	1,224.80	+1.50	1,151
Prev. Consolidated Close	1,227.70	1,224.80	1,224.80	+1.50	1,151

AMEX Diaries					
Index	High	Low	Close	Chg.	Vol.
Advanced	1,227.70	1,224.80	1,224.80	+1.50	1,151
Declined	1,227.70	1,224.80	1,224.80	+1.50	1,151
Unchanged	1,227.70	1,224.80	1,224.80	+1.50	1,151
Total Issues	1,227.70	1,224.80	1,224.80	+1.50	1,151
New Issues	1,227.70	1,224.80	1,224.80	+1.50	1,151
Volume up	1,227.70	1,224.80	1,224.80	+1.50	1,151
Volume down	1,227.70	1,224.80	1,224.80	+1.50	1,151

NASDAQ Index					
Index	High	Low	Close	Chg.	Vol.
Composite	1,227.70	1,224.80	1,224.80	+1.50	1,151
Indus	1,227.70	1,224.80	1,224.80	+1.50	1,151
Trans	1,227.70	1,224.80	1,224.80	+1.50	1,151
Comp	1,227.70	1,224.80	1,224.80	+1.50	1,151

AMEX Most Actives					
Symbol	Vol.	High	Low	Close	Chg.
IBM	12,000	124.00	123.00	123.00	+0.75
Kaiser	10,000	10.00	9.75	9.75	+0.25
Delta	10,000	10.00	9.75	9.75	+0.25
Delta	10,000	10.00	9.75	9.75	+0.25
Delta	10,000	10.00	9.75	9.75	+0.25
Delta	10,000	10.00	9.75	9.75	+0.25
Delta	10,000	10.00	9.75	9.75	+0.25
Delta	10,000	10.00	9.75	9.75	+0.25
Delta	10,000	10.00	9.75	9.75	+0.25
Delta	10,000	10.00	9.75	9.75	+0.25

NYSE Most Actives									
Symbol	Vol.	High	Low	Close	Chg.	Symbol	Vol.	High	Low
IBM	12,000	124.00	123.00	123.00	+0.75	IBM	12,000	124.00	123.00
Kaiser	10,000	10.00	9.75	9.75	+0.25	Kaiser	10,000	10.00	9.75
Delta	10,000	10.00	9.75	9.75	+0.25	Delta	10,000	10.00	9.75
Delta	10,000	10.00	9.75	9.75	+0.25	Delta	10,000	10.00	9.75
Delta	10,000	10.00	9.75	9.75	+0.25	Delta	10,000	10.00	9.75
Delta	10,000	10.00	9.75	9.75	+0.25	Delta	10,000	10.00	9.75
Delta	10,000	10.00	9.75	9.75	+0.25	Delta	10,000	10.00	9.75
Delta	10,000	10.00	9.75	9.75	+0.25	Delta	10,000	10.00	9.75
Delta	10,000	10.00	9.75	9.75	+0.25	Delta	10,000	10.00	9.75
Delta	10,000	10.00	9.75	9.75	+0.25	Delta	10,000	10.00	9.75

1982 was one of Interbank's best years since we were founded in 1888, as our outstanding results make clear.

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#### BALANCE SHEETS - DECEMBER 31, 1982 AND 1981

(Currency - Thousands of Turkish Lira)

	1982	1981
<b>ASSETS</b>		
Cash and due from banks	17,997,966	9,228,289
Reserve deposits at Central Bank	6,737,077	1,462,199
Bills discounted	114,924	189,000
Government bonds	557,202	32,616
Loans		
Short-term	25,398,070	15,000,677
Medium-term	3,005,716	184,614
	28,403,786	15,185,291
Less: Allowance for possible losses	(802,013)	(10,173)
	27,601,773	15,175,118
Equity participations	964,486	41,384
Bank premises, furniture and fixtures, net	967,197	127,531
Central Bank imports and other blocked accounts	1,198,184	1,283,968
Accrued income and other assets	5,678,604	550,985
	61,817,413	28,091,090

#### LIABILITIES AND SHAREHOLDERS' EQUITY

<b>Deposits</b>		
Demand deposits		
Commercial	16,333,566	9,049,897
Interbank	7,118,197	4,259,482
Savings and other	495,894	378,995
Time deposits		
Savings and certificates of deposits	19,422,616	8,314,678
Interbank	343,170	307,563
	43,713,443	22,310,615
Borrowed funds from banks	5,556,174	989,359
Import advances taken	2,624,550	1,062,269
Payment orders at Central Bank	475,866	867,489
Accrued interest and other liabilities	5,406,741	1,686,027
Taxation		
On income	651,662	201,846
Other	633,696	222,794
Total liabilities	59,062,134	27,340,399
<b>Shareholders' equity:</b>		
Share capital	1,665,010	500,000
Revaluation surplus	215,619	-
Retained earnings	874,650	250,691
Total shareholders' equity	2,755,279	750,691
	61,817,413	28,091,090

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1211 Geneva 1, Switzerland  
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#### Floating Rate Notes

Oct. 5

Banks									
Bank	Rate	Term	Yield	Bank	Rate	Term	Yield	Bank	Rate
Abn-Amro	10.00	3M	10.00	Abn-Amro	10.00	3M	10.00	Abn-Amro	10.00
Abn-Amro	10.00	3M	10.00	Abn-Amro	10.00	3M	10.00	Abn-Amro	10.00
Abn-Amro	10.00	3M	10.00	Abn-Amro	10.00	3M	10.00	Abn-Amro	10.00
Abn-Amro	10.00	3M	10.00	Abn-Amro	10.00	3M	10.00	Abn-Amro	10.00
Abn-Amro	10.00	3M	10.00	Abn-Amro	10.00	3M	10.00	Abn-Amro	10.00
Abn-Amro	10.00	3M	10.00	Abn-Amro	10.00	3M	10.00	Abn-Amro	10.00
Abn-Amro	10.00	3M	10.00	Abn-Amro	10.00	3M	10.00	Abn-Amro	10.00
Abn-Amro	10.00	3M	10.00	Abn-Amro	10.00	3M	10.00	Abn-Amro	10.00
Abn-Amro	10.00	3M	10.00	Abn-Amro	10.00	3M	10.00	Abn-Amro	10.00

#### Gold Options

(Options in U.S. \$)

Month	Strike	Call	Put
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Month	Strike	Call	Put
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Month	Strike	Call	Put
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Month	Strike	Call	Put
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Month	Strike	Call	Put
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Month	Strike	Call	Put
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Month	Strike	Call	Put
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Month	Strike	Call	Put
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Month	Strike	Call	Put
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Month	Strike	Call	Put
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## BUSINESS BRIEFS

## Nippon Telegraph Says It Will Buy Supercomputer, Data System in U.S.

TOKYO (Combined Dispatches) — Japan's government-owned telecommunications monopoly, Nippon Telegraph and Telephone Co., said Wednesday that it would purchase a computer system and an advanced traffic information collecting system from two American companies.

Nippon said it had agreed to procure a supercomputer from Cray Research Inc. of Minneapolis and the information collecting system from American Telephone & Telegraph International Co.

Nippon and the AT&T unit will jointly develop the information system in the United States and Nippon will later import it to Japan. It is expected to cost NTT about \$47.4 million. The cost of Cray's XMP Supercomputer is estimated at \$17.3 million.

Nippon has been criticized in the United States for not living up to a promise it made to open contract bidding for telecommunications purchases to foreign companies.

## Philips Studies New Video Recorder

EINDHOVEN, The Netherlands (Reuters) — Philips said Wednesday that it is studying the idea of making its own video recorders for markets outside Europe.

The giant Dutch electrical products group currently sells Japanese-made VHS recorders in the United States, Australia and New Zealand under its subsidiaries' names. In Europe, Philips markets its own V-2000 recorders.

Philips said the number of VHS recorders it sells outside Europe has increased, leading the company to consider making its own recorders for export outside Europe. Philips also announced that it will produce a V-2000 recorder capable of recording for 16 hours on one cassette in early 1984 and in the second half of 1984 will introduce an 8mm video camera-recorder combination.

## Wang Introduces Image Computer

WASHINGTON (Combined Dispatches) — A computer that can read and store pictures and documents as easily as it can manipulate numbers and words has been unveiled by Wang Laboratories Inc., which said the new system would reduce the burden of record-keeping for the insurance and banking industries and governmental offices.

Wang's "Professional Image Computer," introduced Tuesday at a news conference, will sell for \$12,000 to \$15,000. Industry sources predicted that within a couple of years prices would drop low enough to be available for home computers.

The heart of the system is an image scanner that can record documents 11 by 14 inches (28 by 35.5 millimeters) or smaller. The system includes a high-resolution monitor and a thermal printer that can reproduce documents, engineering sketches and even signatures. The computer can also be used to alter the image before it is printed.

## BP to Construct Polyethylene Plant

LONDON (Reuters) — British Petroleum Co. said it plans to build a polyethylene plant capable of producing 100,000 metric tons (111,000 short tons) per year at its Lavera site in southern France for 370 million French francs.

The new plant is due to begin operations in 1985 and will replace uneconomical units producing 72,000 tons annually of high-density polyethylene, British Petroleum said.

## 26 Arrested in Korean Loan Scandal

SEOUL (UPI) — Twenty-six people, including two owners of medium-size companies and three bank managers, have been arrested for involvement in a \$208-million loan scandal, prosecutors said Wednesday.

Those arrested included the heads of Youngdong Development Co. and Shinhan Pipe Co. and the managers of the Chohong Bank, one of the largest commercial banks in Korea, officials said.

The others under arrest are low-level officials at the two companies and the bank, the officials said. Twelve people were arrested when the scandal was uncovered last week. A full government announcement on the case is expected next week.

## Coleco Suit Alleges Firm Hid Problems

Compiled by Our Staff From Dispatches

NEW YORK — A stockholder of Coleco Industries Inc. has filed a class-action suit charging that the company artificially inflated the price of its stock by concealing the production and design problems that have delayed introduction of its Adam home computer.

The action, which seeks unspecified damages, was filed Tuesday in Federal District Court in Hartford, Connecticut, where Coleco is based, by Deane Rudolfer of Merion, Pennsylvania.

It also charged that several Coleco officers, including Arnold C. Greenberg, the company's president and chief executive officer, had sold \$8 million in Coleco stock in June on the basis of insider information.

Mr. Greenberg denied that he and other company officials had sold large numbers of shares while stock prices were high.

Other Coleco officials labeled as "nonsensical" the allegations.

Reports filed with the Securities and Exchange Commission indicate that Mr. Greenberg sold 125,000 shares at \$55.11 and 25,000 shares at \$57.03 in June.

Coleco's Adam computer was originally scheduled for release in late August. The machine, however, has been delayed by design problems with its unusual high-speed tape memory system and with its word processing program.

The lawsuit alleges that people who bought Coleco stock from May 27 to Sept. 29 paid "artificially inflated prices because Coleco and certain officers concealed serious technical and production problems of its long-awaited Adam computer," according to a news release issued by Berger & Montague, the Philadelphia law firm representing Mrs. Rudolfer.

The suit charges that violations of the federal Securities Exchange Act resulted from concealment of "serious technical and production problems" with Adam, according to David Berger, one of the lawyers representing the plaintiff.

Mr. Greenberg, in denying the allegations, said company officials had been buying, not selling, their interest in Coleco.

Other top officials named in the lawsuit are Mr. Greenberg's brother and company chairman, Leonard E. Greenberg; J. Brian Clarke, an executive vice president; and Morton E. Handel, executive vice president of investor relations.

## U.S. Commerce Dept. Opens Probe Of Alleged Chinese Textile Subsidies

By Stuart Auerbach

Washington Post Service

WASHINGTON — The Commerce Department has opened an investigation into charges that China illegally subsidizes its textile and clothing exports through the use of dual exchange rates.

The decision to conduct the probe, announced Tuesday, has widespread foreign policy and trade law implications.

This is the first time the U.S. government has tackled the knotty question of whether illegal subsidies exist in a nonmarket economy such as China's in which the state plays such a major role that prices bear no relation to production costs.

The investigation comes at a time when the Reagan administration is trying to mend its tattered economic relations with China.

Defense Secretary Caspar W. Weinberger promised the transfer of low-level military technology

during a just-completed visit to Beijing, and Commerce Secretary Malcolm Baldrige announced regulations designed to make it easier for China to buy the less-strategic high technology it needs for modernizing its industries.

The United States, moreover, settled a year-long trade rift with China in August when it signed an agreement — over the objections of the American textile industry — to allow Beijing a 3.5 percent yearly increase in its cloth and apparel exports to the United States.

The dispute sparked a Chinese boycott of U.S. agricultural products that reportedly cost American farmers \$600 million in lost sales.

China shipped 670.6 million square yards (\$36.5 million square meters) of textile products to the United States last year, becoming the nation's fourth-largest supplier.

The complaint was brought on Sept. 12 by an industry-labor coalition. It charged that differences be-

tween an exchange rate of 2.8 yuan to the dollar for companies engaged in foreign trade and an official rate of 1.9939 yuan to the dollar give China's textile exports a 40.4 percent subsidy.

The Commerce Department will hold an unusual special hearing on Nov. 3 to consider whether the law setting countervailing duties to make up for subsidies can be applied to nonmarket economies and whether dual exchange rates constitute a subsidy where the same rate applies to all imported and exported products and the currency is not freely convertible.

The department will issue a preliminary ruling on Dec. 6.

The American Textile Manufacturers Association applauded the Commerce investigation into subsidies caused by exchange rates but said the probe should have been extended into preferential treatment for capital given China's textile industry.

## U.S. Steel Industry's Outlook Improves

(Continued from Page 11)

shipments to total about 78 million tons next year.

The industry's two stumbling giants — U.S. Steel and Bethlehem, each of which lost more than \$200 million in the first half — should benefit disproportionately from any upsurge in the heavy steel sector because their production is geared more toward structural steel, plate and bar.

"When the capital goods sector recovers, Bethlehem should get the greatest benefit; it has modernized a great deal and has lower costs per ton than U.S. Steel," said Peter L. Anker, senior metals analyst at First Boston Corp.

Bethlehem's mills in Sparrows Point, Maryland, and Burns Harbor, Indiana, are often praised for having the most advanced equipment. In addition, Bethlehem cut its costs by an estimated \$25 a ton when it laid off more than 7,000 employees at its mill in Lackawanna, New York.

Analysts said several factors should bring about an increase in orders for heavy steel. Among them they listed Congress's newly proposed interest in rebuilding the United States' bridges and highways, bond votes in New York and other states for such construction and funds from a new gasoline tax.

Bethlehem is probably the biggest producer of reinforced bar and should do well if there's a lot of road construction," said the Rev. William T. Hogan, a professor of industrial economics at Fordham University.

Mr. Anker and Mr. Hogan agreed that small mill corporations such as Florida Steel and Nucor should also gain from such construction programs because reinforced bar is an important product for them.

Higher prices also are being predicted. "I expect a noticeable narrowing of discounts because of the increased demand," said Robert A. Hageman, a metals analyst with Kidder, Peabody & Co. "Discounts now range from 5 to 30 percent. I'm assuming that they should narrow on the average of 9 percent and that they should translate into list price increases."

Mr. Hageman predicted that by 1985, prices realized in the marketplace would rise "by 20 percent or more." Thomas C. Graham, head of steel operations at U.S. Steel, forecast, however, that steel prices would increase by just 3 percent next year.

Analysts say these price rises, along with increased demand, should push most of the steel companies into the black by the end of 1984. National Steel, now known as National Intergroup Inc., was

the only major steelmaker to report a profit in the second quarter of 1983.

The area that will remain weakest, analysts predict, is pipe production. Because of a slowdown in oil and gas exploration, oil companies have accumulated an inventory of about 4 million tons of pipe. Shipments used in oil exploration plummeted to 1.8 million tons in 1982 from 4.2 million tons in 1981. And for the first half of this year, they fell to just 247,000 tons.

"We would have to go through another energy crisis before pipe numbers move up to where they used to be," Mr. Hageman said.

Analysts said that because so many companies produce pipe the continuing slump in that sector would not hurt any one company appreciably more than others. They said, however, that the slack demand may create problems for the pipemaking facilities that U.S. Steel is expected to open in Fairfield, Alabama, in the next few months.

About 4.3 million tons of tin plate, used in cans, were produced domestically in 1982, down about 25 percent from 1980.

## FIDELITY WORLD FUND

Société Anonyme d'Investissement  
Luxembourg, 37, rue Notre-Dame  
R.C. Luxembourg n° B 9.497

## Dividend Notice

A dividend of US\$ 0.40 per share will be payable on or after October 26th, 1983 to shareholders of record on October 5th, 1983 against surrender of coupon n° 8.

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Swiss Paying Agent:  
Bank Julius Baer & Co. Limited  
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BAHRAIN	23.42.41	HELSINKI	61.02.50	NEW YORK	286.09.44
BARCELONA	302.22.82	HONG KONG	28.38.76	OSLO	41.61.15
BERLIN (WEST)	281.80.13	LOS ANGELES	88.30.99	PARIS	180.79.0800
BRUSSELS	218.28.68	LONDON	628.37.51	SINGAPORE	338.0800
COPENHAGEN	0430.00.08	LUXEMBOURG	48.45.58	STOCKHOLM	21.77.27
DUBLIN	72.61.75	MILAN	345.23.69	STUTTGART	22.03.13
FRANKFURT	79.28.00	MADRID	402.61.31	VIENNA	54.11.86
GENEVA	78.17.27	ROME	345.23.69	ZURICH	302.08.12

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and

Ronald I. Simon

for \$25,000,000 have acquired 1,000,000 shares of voting convertible preferred stock (convertible into 5,000,000 shares of common stock), 300,000 shares of common stock and five-year warrants to purchase 3,600,000 shares of common at \$6.50 per share of

Towner Petroleum Company

The undersigned initiated this transaction, assisted in the negotiations and acted as financial advisor to Selim K. Zilkha and Ronald I. Simon

**ROTAMOSLE**  
Investment Bankers

1500 South Tower Perin Place  
Houston, Texas

September 28, 1983

Towner Petroleum Company

has sold (for \$25,000,000) 1,000,000 shares of voting convertible preferred stock (convertible into 5,000,000 shares of common stock), 300,000 shares of common stock and five-year warrants to purchase 3,600,000 shares of common at \$6.50 per share to

Selim K. Zilkha

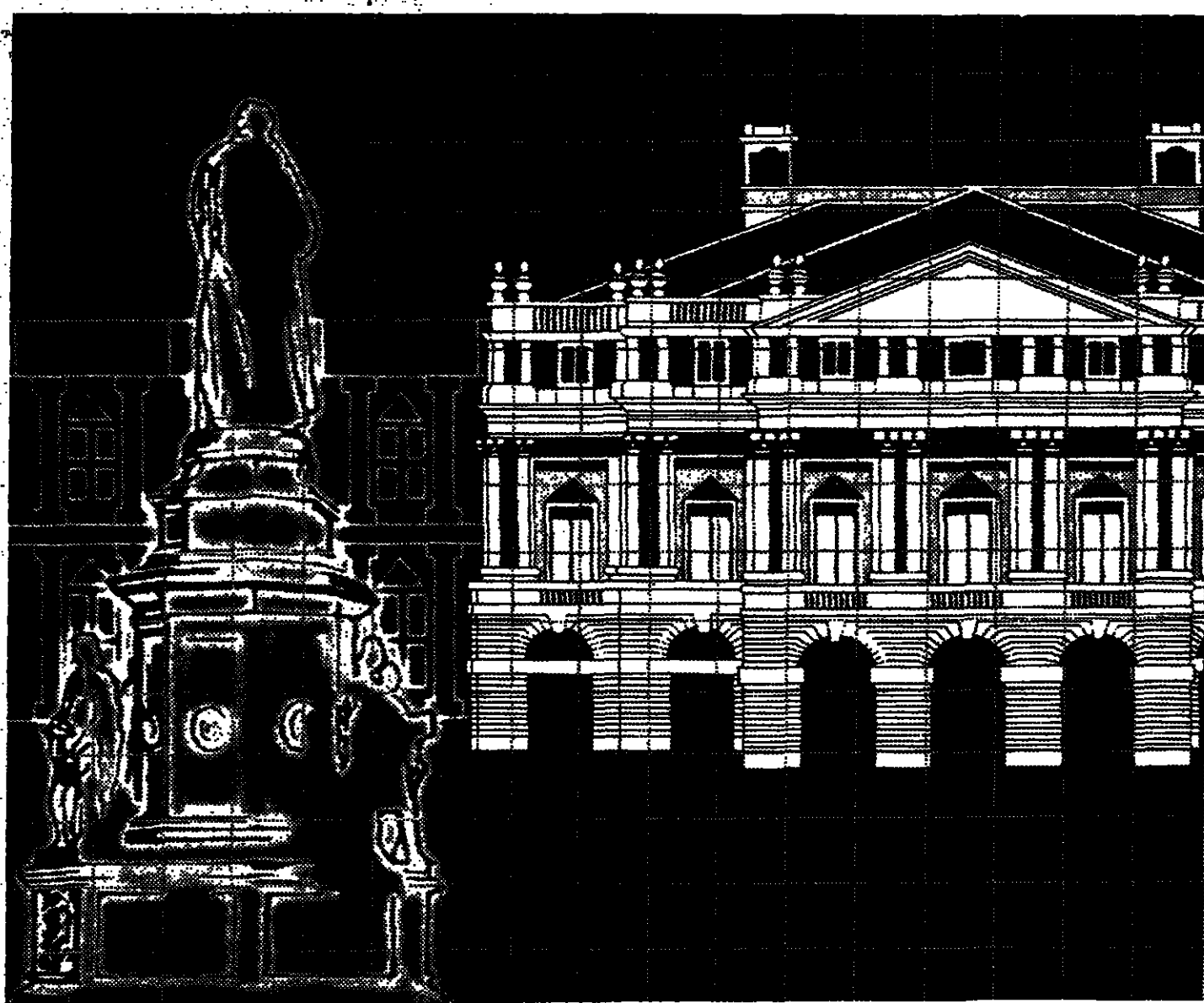
and

Ronald I. Simon

The undersigned acted as financial advisor to Towner Petroleum Company.

**Ladenburg, Thalmann & Co. Inc.**  
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September 28, 1983



# Milan adds another dimension to Arab Banking Corporation.

Arab Banking Corporation (ABC) is now offering a complete range of international banking services through its recently established branch in Milan as a complement to its offices in major international financial centres.

Located in the heart of Italy's industrial and commercial north, the Milan branch will focus on the strengthening of commercial and financial relations between Italy and the Arab world. It will also further augment ABC's growing international branch and subsidiary network by servicing business requirements in Italy for other regions of the world and by directing business to Italy from its other offices.

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## Rate Notes







## WORLD STOCK MARKETS

### Union Stock Funds Likely to Broaden Stockholm's Boom

By Axel Krause

**STOCKHOLM** — Operating from cramped quarters on the ground floor of an 18th-century building overlooking the city, the Stockholm Stock Exchange is in its third year of booming volume and prices. And now a controversial government plan to establish union-controlled investment funds is expected to provide additional impetus for growth.

Some big headlines also are emerging. The major problem facing the Förför is simply coping with the expansion. Representatives of the 20 member firms work in small, crowded booths and only two slots remain available. The exchange still operates with a staff of 22, including the president, who only last week hired a full-time secretary. Rules on trading and reporting requirements are still very loose and currently there are no funds or sites

"A lot of people here are protesting the funds, but once functioning, we estimate that they will account for roughly 40 percent of the new, net flow of money into the stock exchange," said Per-Olof Edin, an adviser to the Social Democratic Party in the Finance Ministry and the plan's main architect.

The plan would be financed by a new tax on corporate profits. That would provide the funds with a total of about 2 billion kronor (about \$253.6 million at current exchange rates) annually with which to buy shares, starting next year and running through 1990. Anticipating the plan's implementation, some large industrial companies and banks, including multinationals, have already started buying heavily to consolidate their control over the shares of the about 160 companies listed on the exchange. But until now such buying has been only a relatively minor factor in the exchange's boom, which began in 1980, when the government raised an income-tax rebate on investors' purchases in mutual funds to 30 percent from 20 percent.

Many Swedish and foreign investors also have been attracted by the fact that sales and profits of leading industrial companies and banks are setting records this year amid rapidly expanding exports, which were helped considerably by a 16 percent devaluation announced by Prime Minister Olof Palme shortly after his victory in parliamentary elections in September 1982.

As part of the austerity package that he presented to parliament Tuesday, Mr. Palme also is pressing for other measures that business favors: freezing, or cutting, corporate taxes next year, restricting wage increases and cutting government spending.

"The stock market here was asleep throughout the 1970s and we're catching up a lot," said the chairman of a leading Swedish company, "but with the notorious exception of these very objectionable union funds, there is a lot in Palme's program attractive to business — and it is reflected on the exchange."

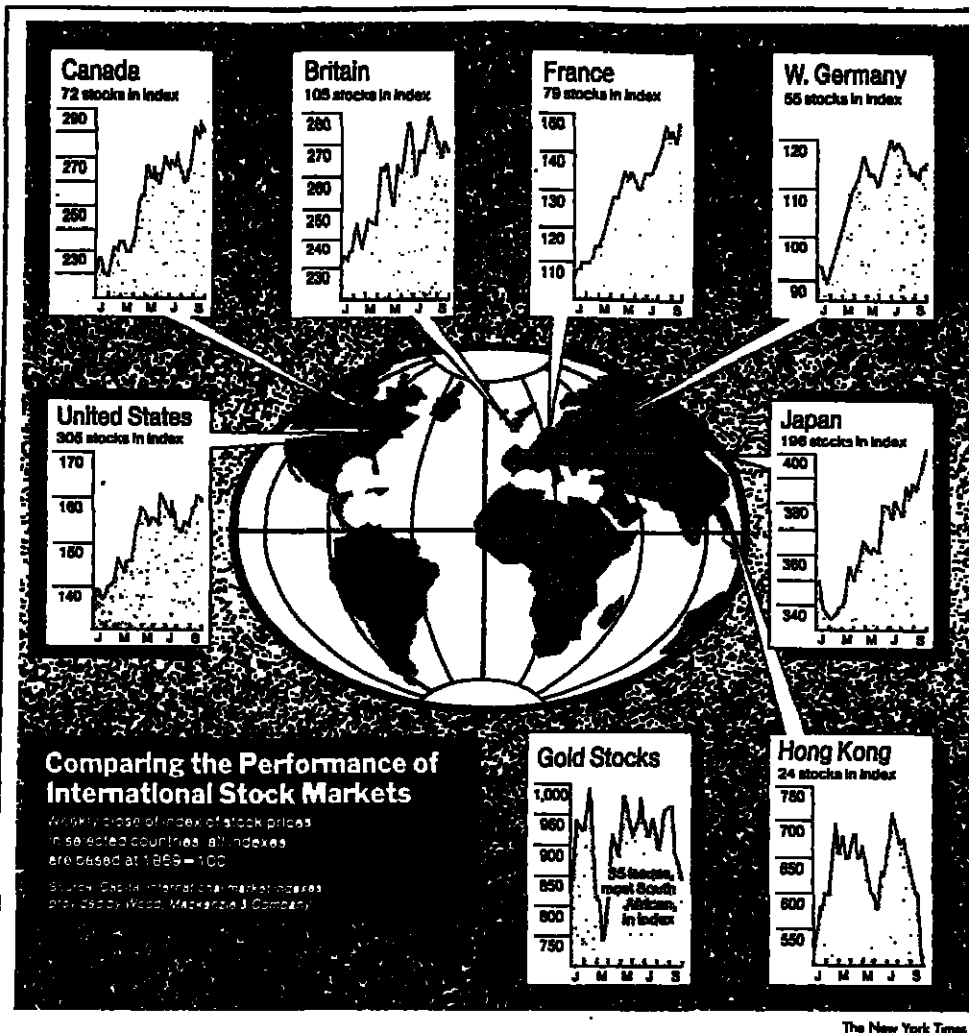
This year's volume on the Förför is expected to reach about 80 billion kronor, up from 29 billion kronor in 1982, and at the present pace, it may reach about 100 million kronor in 1984, Mr. Grönqvist said. Share values in 1983's first nine months were running 64 percent ahead of the like period in 1982 and probably will continue rising at that pace, he added.

Mr. Grönqvist, who previously had worked for Skandinaviska Enskilda Banken and Exton, opposes the plan on principle, and Tuesday afternoon joined 75,000 people in a protest march on parliament.

Under the plan, the union-controlled funds would buy substantial interests in leading Swedish industrial and financial companies. Parliament is expected to approve the legislation next month.

"I am a conservative, in favor of free enterprise, but I also add political statements," he said, adding that the funds will represent a new force on the market, with what he termed "a beneficial" effect on trading and prices.

Indeed, the buying surge is expected to play a key role in pushing Stockholm's ranking among the world's 16 leading stock exchanges from 10th to eighth place next year, possibly putting it ahead of Amsterdam and Hong Kong, exchange officials said. Perhaps as a sign of the Stockholm Exchange's new clout, the exchange will sponsor the annual meeting of the International Stock Exchange Federation next fall for the first time.



### Dollar's Strength, Economic Doubts Are Blamed for 3d Period Slowdown

By Kenneth N. Gilpin

New York Times Service

**NEW YORK** — After six months of rapid advances, the rate of increase in equity prices on major stock exchanges around the world slowed in the third quarter.

For the week ended Sept. 29, the Capital International World Index, which tracks price movements on 19 exchanges around the globe, including the United States, stood at 181.5, up just 0.5 percent from its end-of-June level. Since the beginning of the year, the world index has risen more than 18 percent.

"Continued strength in the dollar and a lack of conviction on the part of investors that recovery is spreading to major economies are the major reasons behind the slowdown," said André Sharon, director of international research at Drexel Burnham Lambert Inc., the New York-based brokerage house. Here is a roundup of the quarter's activity on some of the world's major exchanges.

**Tokyo** With the economy strengthening gradually and the outlook for corporate earnings brightening, the Tokyo Stock Market's Nikkei Dow-Jones Index advanced nearly 6 percent in the third quarter, closing at 9402.59 last Friday, up from 8871 at the end of June.

In large part, the continued rise has been fueled by optimistic projections on corporate performance. Analysts now predict that corporate earnings in the six months ending next March will be about 50 percent higher than the recently completed third quarter, nearly double what forecasts were expecting only three months ago.

Another positive force on the market has been the yen's recent performance. After falling to 247 yen to the dollar Aug. 12, the Japanese currency's value appreciated by Friday to 236.1 in Tokyo.

Through mid-August, smaller- and medium-sized companies led the advance. For example, the share price of Fujitsu Fama, a robot maker, hit 8,000 yen on Aug. 17, more than double the level earlier in the year.

In the past few weeks, basic-industry stocks such as Mitsubishi Heavy Industries and Nippon Steel have performed well.

**London** Prices on the London Stock Exchange have fallen back since the Financial Times All Share Index peaked at 466 Aug. 18. On Sept. 27, the index stood at 451, 3 percent below the peak and 2 percent below the level at the end of June.

Experts are expecting a further drop. "I would not be surprised to see a mild shake-out in equities in the next few months," said Kenneth Inglis, head of equity research at Phillips & Drew. "However, given reasonably good dividend prospects and a modest decline in the yield on government securities, fundamental value in the market remains sound."

Figures published by Datatream show that the top performing industrial sectors in the last quarter included share prices of food retailers, up 13 percent; newspaper and publishing houses, up 9 percent, and shipping and transport share prices, up 7 percent.

**Toronto** The Toronto Stock Market continued the rise that began 15 months ago. At the end of September, the exchange's 300 composite index closed at 2519.1, up about 6 percent from the end of the second quarter.

The second leg of the bull market began in mid-August," said Peter Williams, technical analyst with McLeod Young Weir, Toronto stockbrokers.

During the quarter, the best performers were in high technology, metals and mining, oil and gas and manufacturing.

"There is a desire for earnings

potential," said John Eidt, equity strategist with Merrill Lynch Royal Securities. "The market has been going back to fundamentals."

New issues have also been attractive. Subodh Kumar, market strategist at Wood Gundy, Toronto stockbroker, estimates that 1.8 billion Canadian dollars (about \$1.46 billion) of new equity were raised in the third quarter, bringing the total for the year so far to 5.3 billion dollars, well above the 3.1 billion dollars raised in all of 1981, the previous record.

Losers in the quarter were forest products, gold shares and real estate companies.

**Frankfurt** Since July, prices on the Frankfurt Stock Exchange have stabilized, following a rise in the 100-share Frankfurter Allgemeine Zeitung index to 331, its highest level since World War II. The index closed at 316.21 last Friday.

Analysts said the slowdown was reinforced by the dollar's strength against the Deutsche mark, which attracted investors into dollar-denominated securities, and by a Bundesbank decision last month to allow commercial bank refinancing rates to follow U.S. interest rates upward, drawing investors from stocks into fixed-rate securities.

In the overall market, stocks that fell outnumbered those that rose, but blue-chip automobile and chemical issues, such as Daimler-Benz and Bayerische Motorenwerke and Hoechst, Bayer and BASF, remained strong.

Bank stocks, including Dresdner Bank and Commerzbank, declined, as did machine and plant-building issues, such as Gutehoffnungshütte, which continue to suffer from West Germany's export slump.

**Paris** Prices on the Paris Bourse continue to rise in spite of increasingly somber predictions about the future course of the French economy. From a low of 96.1 reached Jan. 3, the market as measured by the French Stockbrokers' Association Index has climbed steadily, reaching 138 at the close of trading on Sept. 27.

The advance in French share prices has been influenced by the general rise in equities all over the world, but brokers attribute much of the increase to a number of different factors by France's Socialist government that seem to have provided investors with compelling reasons to invest in equities.

The market advance continues to be led by a comparatively small group of well-run, export-oriented French companies that have profited from the weak franc and are relatively insulated from the domestic economy's flat performance.

A strong performer in the industrial sector has been Compagnie Générale des Eaux, France's leading private water supplier and a major maker of water-treatment equipment.

**Hong Kong** Because of political uncertainty, Hong Kong is going through a difficult period. Britain's lease on Hong Kong's territory expires in 1997. The property market has suffered as the expiration date pulled within 15 years in 1982, since many commercial mortgages run for 15 years. Investment has come to a standstill as companies and individuals wait until China indicates the type of economic and social system Hong Kong will have after 1997.

Not surprisingly, the recent movement in the Hang Seng index reflects the British colony's troubles.

At the end of the third quarter, the index had tumbled more than 20 percent from end-of-June levels, and ended the period at just under 760, down from 964 at the end of the second quarter.

### London Is Facing Big Changes With Hope and Some Anxiety

By William McBride

**INTERNATIONAL HERALD TRIBUNE** — When Sir Nicholas Goodison announced in July that he had reached a settlement that would end the government's restraint-of-trade suit against the London Stock Exchange, a collective sigh of relief went up from the financial community.

The feeling was short-lived. After a closer look at what Sir Nicholas, the exchange's chairman, had agreed to carry out, the relief turned to concern, then to vague anxiety and finally to something near panic. "It was not a universal welcome," Sir Nicholas, 49 years old, acknowledged in an interview this week.

Yet the agreement holds the promise of finally dispelling the cloud that has hung over the exchange since the Office of Fair Trade initiated its investigation in 1979. Next Tuesday, the changes required by the agreement will be put to a vote of the exchange's 4,000 members.

Sir Nicholas is betting that the proposals will be ratified by the required 75 percent of the membership. "I shall be sorely disappointed if they don't," he said.

Most members of London's financial community are betting with Sir Nicholas. They are also betting on his ability to guide the exchange and its diverse interests through a period that is likely to see substantial changes in the structure of the exchange. "If anybody can do it, he can. We've been lucky to have him there," said an official who has been close to the talks.

The agreement between Sir Nicholas and the Department of Trade and Industry committed the exchange to ending minimum commissions and opening the governing council to nonexchange membership. The first commitment has caused the most hand-wringing among exchange members. They look back in horror at the brutal shakeout among Wall Street firms after the United States abandoned fixed commissions in 1975.

Sir Nicholas is less alarmed. "I don't foresee the kind of slaughter that took place in the United States," he said. "People exaggerate the similarities between Wall Street and London."

Neither does he share the view that negotiated commissions will lead inevitably to a breakdown in the exchange's split-trading system, called "single-capacity." Under this 75-year-old system, only "jobbers" are allowed to buy and sell shares for their own accounts as



Sir Nicholas Goodison

principals of the exchange. Brokers act only as agents for investors and do not trade for their accounts.

The exchange regards the system as essential to protecting the investor because it insures that every trade will be brought to the exchange floor and made at a market price. The exchange also argues that, because the brokerage is not trading for its own account, it cannot be accused of fobbing off unwanted inventories of securities to its clients. Critics call it a form of protectionism that leads to inefficiencies and higher costs to investors.

The government has agreed to leave the single-capacity system intact and has even hinted that it would cloak it with legislative approval. But many wonder whether the system can survive in the competitive atmosphere of negotiated commissions. Under a competitive squeeze, jobbers may be tempted to deal directly with investors. Similarly, brokers might wish to deal directly with one another to pick up both their own commissions and the profits that jobbers would make on the difference between the buying and selling price.

Sir Nicholas acknowledges that among exchange members, there is a "strong belief" that single-capacity depends on having fixed commissions. In his own view, there is "not an indissoluble link, but an intimate relationship."

In describing how the broker-jobber system might evolve, he chooses his words carefully: "The exchange will maintain the separation as long as it is commercially

desirable and as long as the members desire."

To keep track of how the change in the commission structure is affecting trading, a monitoring committee has been set up that includes representatives of the Bank of England, the Department of Trade and Industry and the exchange. The Bank of England is expected to ask the exchange for detailed information on commissions and to watch closely for any increase in trading away from the floor of the exchange. It will also watch for signs that the new competitive situation is undermining the financial health of members.

Indeed, the new competitive situation may test the financial structure of British brokerage firms. Compared with U.S. firms, the resources of British brokerages are meager.

Part of the reason is a web of rules on liability and ownership. Members face unlimited liability for their firms' debts, a stricture that has encouraged smallness. And a rule that limits nonmember ownership in member firms to 29.9 percent has restricted the brokerage's ability to seek outside capital.

Changes on liability and related rules are "firmly on the agenda for debate," Sir Nicholas said. But the exchange has no plans to alter the 29.9-percent rule, a change that might encourage banks and insurance companies to get into the brokerage business.

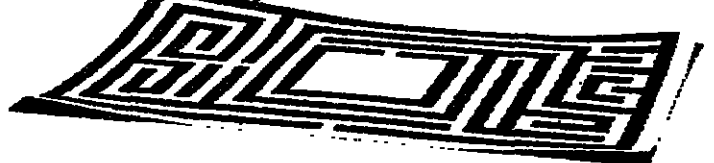
Sir Nicholas said the government has applied no pressure for the exchange to loosen its ownership constraints. But the Bank of England is thought to take a less firm position on the issue, leaving open the possibility that in the future it may support changes allowing British financial concerns to broaden their activities.

For Sir Nicholas, "the most important question" that the government must ask itself now is, "To what extent do they want the traditional lines of demarcation to be maintained?" He notes that in such countries as West Germany, banks have come to dominate the stock market to the point that the capital markets have remained comparatively small in relation to the economy.

Unlike many in London's close-knit financial community, Sir Nicholas does not see the proposals being put before the membership next week as a prelude to revolutionary change. Over the long-term, he sees "evolutionary change." In the short term, he sees "concern, worry, debate and quite a lot of maneuvering."

## An International Herald Tribune Conference on: How to Manage Foreign Exchange Risks

London, November 14-15



Murray L. Weidenbaum, former Chairman of the Council of Economic Advisors in the Reagan administration, will open the ninth annual International Herald Tribune conference on "The Management of Foreign Exchange Risks," to be held in London, November 14-15, 1983.

Other key speakers will include: Walter O. Habermeyer, Counselor and Treasurer of the International Monetary Fund,

Christopher W. McMahon, Deputy Governor of the Bank of England and Robert Triffin, Professor of Economics at the University of Louvain.

To ensure your company is represented at this timely conference, please return the registration form below today. The program was developed in conjunction with Forex Research.

#### NOVEMBER 14

**Reaganomics: Success or failure?** Murray L. Weidenbaum, former Chairman of the Council of Economic Advisors in the Reagan administration, Director, Center for the Study of American Business, Washington University.

**Currency risk assessment and market strategy.** Jeffrey C. Donohue, Manager, Foreign Exchange Risks, Union Carbide Corporation.

**How to measure the success of exposure management.** Claudio Mercalli, Group Treasurer, Pirelli.

**Computer technology and foreign exchange dealing.** Hamish Donohoe, Director and Head of Banking Services, Hill Samuel Co. Ltd.

**Money market investment opportunities.** Steven S. Licht, Deputy Chairman, Crédit Suisse First Boston.

Luncheon address: LDC debt financing. Walter O. Habermeyer, Counselor and Treasurer, International Monetary Fund.

**The use of currency baskets in managing exposure.** Kolervo Solmi, Treasurer, Finnboard.

**International liquidity management in the oil industry.** Alan Kershaw, Manager of Treasury, Kuwait Petroleum Int'l.

**Trading currency options.** Arnold Staloff, President, F.A.C., Philadelphia Stock Exchange.

#### NOVEMBER 15

**The future of the European Monetary System.** Robert Triffin, Professor of Economics, University of Louvain.

**The use of currency forecasts in measuring transaction exposures.** Martin Bralsford, Group Treasurer, Rank Organization Plc.

**What corporate treasurers should expect from their banks.** Daniel H. Hodson, Finance Director, Unigate Plc.

**The use of ECU's for invoicing intracorporate accounts.** Cino Ricci, International Treasurer, Compagnie de Saint-Gobain.

Luncheon address: The effect of monetary policy on exchange rates. Christopher W. McMahon, Deputy Governor, Bank of England.

**After ten years of floating exchange rates, does price parity theory have any relevance?** William Robinson, Senior Research Fellow, London Business School.

**The exchange rate outlook for the major currencies.** Henry E. Hubbe, Senior Vice President, European American Banking Corp.

Lawrence Cavanagh, Manager of Foreign Exchange Forecasting and Research, European American Banking Corp.

#### REGISTRATION INFORMATION

The participation fee is £395 or the equivalent in an alternative currency for each participant. Fees are payable in advance, and will be returned in full for any cancellation that is postmarked on or before October 28, 1983.

Please return conference registration form to: The International Herald Tribune, Conference Office, 181 avenue Charles-de-Gaulle, 92521 Neuilly Cedex, France. Or telephone (33-1) 747.12.65 - Telex 612832.

#### CONFERENCE LOCATION

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A block of rooms has been reserved for conference participants. For further information, please contact the hotel directly.

#### CONFERENCE REGISTRATION FORM

Please enroll the following participant for the Foreign Exchange conference, November 14-15, 1983. 6-10-83

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## Lloyd's Sets New Disclosure Rules For Underwriters Following Scandal

By Barnaby J. Feder  
New York Times Service

LONDON — Continuing its effort to shake off the impact of last year's scandal, Lloyd's of London has announced new financial disclosure rules for underwriters working at the insurance exchange. It also said that it will acquire Toplis & Harding Inc., a Chicago-based claims adjuster.

Toplis, which has been doing business with Lloyd's members for nearly all of its 60-year history, will be purchased for \$10 million from Employees Reinsurance Corp., a subsidiary of Getty Oil Co. The announcement was made Tuesday.

The acquisition of Toplis is Lloyd's first direct investment in the United States and is intended to end years of complaints about delays in handling claims in North America, according to Ian Davidson, Lloyd's chief executive.

About 40 percent of the premium income earned at Lloyd's, about \$2 billion last year, comes from the United States and another 10 percent from Canada.

The new disclosure rules approved Tuesday by the governing council went further than recommended by a study committee set up in the wake of the scandal, which involved a variety of practices that appeared to benefit underwriters at the expense of the syndicates of individual investors they represent.

The investors, known as "names," pledge their wealth to pay off claims against policies ac-

cepted on their behalf in the giant Lloyd's trading room by the underwriters, some of whom were said to have directed lucrative policies to syndicates in which they had special interests or to offshore reinsurance companies in which they were investors or officers.

The new disclosure rules will give both the names and the public an unprecedented amount of information about the inner workings of the insurance market and the outside business interests of the underwriters, their relatives and their business associates.

For instance, in the past an underwriter might resell a large proportion of the insurance he had accepted to an offshore insurance company in the Bahamas, the Cayman Islands or some similar tax haven, in which the underwriter or other members of his firm had an interest.

Before promulgation of the new rules, investors would not have known of the interest in the offshore companies. The new rule is intended to make sure that any such investments can be defended as sound reinsurance practices by making it clear where the underwriters' outside interests might also be involved.

The study committee had recommended that only the names of the companies in which underwriters had outside interests be disclosed. The ruling council decided, however, that the exact financial stakes involved in those interests also be disclosed.

"We are unwrapping the lot,"

said Mr. Davidson, the former accounting executive brought in last winter to run Lloyd's as part of the reform. "Two years ago, it would have been unthinkable."

The incident that led to the changes involved Ian Posgate, Lloyd's most successful underwriter, and fellow executives in the Alexander Howden Group. When Howden was taken over last year by Alexander & Alexander, the American company discovered questionable deals and accounting practices that forced it to add \$50 million to Howden's reserves.

Similar problems with other syndicates were also leading to a wave of administrative and regulatory reforms, all self-imposed in order to discourage the government from moving to end three centuries of self-regulation.

## Daiwa and Tubel Set Up Joint Firm in Belgium

Reuters

TOKYO — Daiwa Steel Tube Industries Co. announced Wednesday that it and Tubel, a Belgian steel tube maker, have set up a joint venture company in Mous, Belgium, to produce oxygen lance pipes to be used for steel-making furnaces.

Capitalized at 50 million Belgian francs (\$97,000), the joint company, called Daiube, is 51 percent owned by Daiwa, 46 percent by Tubel and 3 percent by Société Régionale d'Investissement de Wallonie.

## Brazil Seeks Extension on Debt Payment

The Associated Press

BRASILIA — The government has asked foreign banks to extend deadlines for repayment of \$12 billion in loans, the Central Bank said Wednesday.

Central Bank President Afonso Pastore was to meet with bankers Thursday in Washington to discuss the proposal, bank spokesman Renaldo Ferreira said.

Brazil wants to renegotiate \$5.5 billion in debt principal due next year and extend the period for repayment of \$6.5 billion in new bank loans announced at a meeting last month of the International Monetary Fund in Washington. Mr. Ferreira said.

Brazil is struggling to pay a \$90 billion foreign debt. It is nearly \$3 billion behind on payments this year. Major newspapers said Mr. Pastore would ask for nine years to repay the debts and five years' grace period, during which Brazil would pay only interest. The Central Bank would not confirm the reports.

Gazeta Mercantil, the nation's most respected financial daily, reported that the loan extension talks were "well advanced" and said an announcement would be made at the end of Thursday's meeting at IMF headquarters.

## World Bank Initiates Study of Needs In Advance of Bid to Build Its Capital

By Clyde H. Farnsworth  
New York Times Service

WASHINGTON — The World Bank, the biggest single source of money for debt-plagued countries of the Third World, has begun a broad country-by-country analysis of their needs that would serve as a guide to increasing the bank's capital.

The study, which is to be completed next spring, was endorsed last week by the bank's board of governors at its joint annual meeting with the International Monetary Fund, its sister lending institution of the 1944 Bretton Woods Conference.

It is part of the planning by the World Bank for longer-range solutions to the problems of indebtedness worldwide. More than \$700 billion is owed by developing and East European countries to foreign creditors.

To one of the governors, R.D. Muldoon, prime minister and minister of finance of New Zealand, such an approach is necessary to bring an institution "of the 1940s into the 1980s and the 21st century."

"If we fail in this, we run a high risk of the recovery being aborted or, in any case, of it not being shared by those who need it most desperately," Mr. Muldoon said.

The bank tended to be overshadowed last week by the IMF, which is the pivotal institution in providing short-term financial assistance to countries in need of cash to offset balance of payments deficits.

The World Bank assists projects such as irrigation, agricultural stations, harbors, roads and schools that strengthen an economy over the longer term and give it the earning capacity to pay for necessary imports and the servicing of its debt.

The finance ministers and central bank governors from the 146 member countries focused much of their attention on the immediate financial needs of the IMF, which is itself short of cash, not only because of the heavy demands placed on it recently but because of a delay in Congress in approving additional funds for the fund.

The governors also endorsed efforts by bank's president, A.W. Clausen, to start the long process of negotiations for a capital increase.

that would govern lending in the second half of the 1980s and beyond.

Last year, the bank committed loans totaling \$15.3 billion, including \$3.3 billion made by its affiliate, the International Development Association, which makes interest-free loans to 50 of the poorest countries, and \$845 million by the International Finance Corp., which supports private enterprise in 80 countries.

Mr. Clausen and his associates plan to increase loans by about 5 percent a year, but at that rate lending will near the bank's ceiling by 1986.

The bank's rules prevent it from lending more than its capital and reserves. By 1986, paid-in and pledged capital by the members will total \$80 billion, barring capital from other sources.

But while the debate on a general capital increase gets underway, the bank has already won endorsement from all members on a special capital increase of between \$3 billion and \$8 billion over the next five years.

## Argentina Orders New Restraints on Foreign Exchange

Reuters

BUENOS AIRES — Argentina's central bank has ordered commercial banks to stop accepting foreign currency in cash for transfer abroad, banking sources said Wednesday.

Also Wednesday, Julio González del Solar, the country's central bank president, was freed without being charged, following his arrest Monday on orders of a judge investigating alleged irregularities in foreign-debt rescheduling negotiations, finance ministry sources said.

The bank, under the control of its vice president, Luis Mey, since Monday's arrest of Mr. González del Solar, also prohibited the commercial banks from increasing their foreign-exchange holdings above existing levels.

The sources said the measures indicated how low the central bank's dollar reserves had fallen. The bank was expected shortly to limit the withdrawal of the equivalent of \$400 million to \$500 million worth of foreign-currency deposits in the domestic banking system, the sources said.

## 3 Eurobonds Totalling \$250 Million Launched

By Carl Gewirtz  
International Herald Tribune

PARIS — Three dollar Eurobonds worth a total \$250 million and a warrants issue to buy \$100 million worth of bonds were launched Wednesday amid reports that a \$500-million jumbo issue for Canada was waiting in the wings.

At the same time, West German bankers announced they would market six issues worth 950 million Deutsche marks in the month to Nov. 8, slightly more than the 780 million DM launched in the month ended Tuesday.

The talk of the dollar market was a \$100-million, 10-year offering from Rio Tinto-Zinc. The issue which was originally intended to be for \$150 million had to be cut due to market resistance to the tight terms — a coupon of 11 1/2 percent offered at par.

Before the issue was reduced in size the bonds were indicated at a steep discount of 3 1/2 points; after the reduction the bonds were indicated at a discount of 2 1/2 points.

Even at that level, the 11 managers offering the bonds would be losing money as the commissions totaled 2 1/2 percent.

Farm Credit Corp. of Canada also offered 10-year bonds, but the issue was smaller — only \$75 million — and priced slightly more generously at a discount of 99 1/2 percent bearing a coupon of 11 1/2 percent. The bonds were quoted at a discount of 1 1/2 points.

Gasunie of the Netherlands tapped the market for \$75 million. Its seven-year notes bearing a coupon of 11 1/2 percent were priced at 99 1/2 percent and were quoted at 98 1/2.

Caisses Centrales de Coopération Economique, guaranteed by France, sold 100,000 warrants each of which can buy a \$1,000 bond at par bearing a coupon of 11 1/2 percent. The warrants will be dated Jan. 2, 1984 and the warrant expires Dec. 15, 1984.

The underlying bond will have a maturity of 15 years, will be callable only after 10 years and then at a premium of 102 1/2 percent. A sinking fund starting in the ninth year will produce an average life of 12 years.

The warrants were bought by a "club" of eight banks and were initially offered at \$20 apiece. Investors buying the warrant at that price and later exercising it would effectively be paying \$1,020 for each \$1,000 bond, reducing the yield to maturity to 11.22 percent.

The expected Canadian issue is expected to be for five years and carry a coupon of 11 percent.

In the DM sector, the calendar opens next week with a 100 million DM private placement for the European Investment Bank. On Oct. 12, the Asian Development Bank will offer 200 million DM. Oct. 17 Finland will offer 150 million DM; Oct. 20 the Council of Europe will sell 150 million DM.

On Nov. 7, Barclays Bank is to offer 250 million DM and on Nov. 8 the French railway, SNCF, will close the calendar with an offering of 100 million DM.

## Top Automakers In U.S. Showing Big Sales Gains

New York Times Service

DETROIT — The Big Three U.S. automakers ended the 1983 model year with a 16.7 percent increase in sales, according to company figures. It was the first time since 1978 that the companies have been able to report a year-to-year improvement in sales.

The increase in sales of the three companies, General Motors, Ford and Chrysler, has brought a dramatic turnaround in the financial outlook for the industry, which reported combined losses of more than \$8 billion during 1979, 1980 and 1981. The increased sales, combined with new labor contracts and other cost-cutting measures have led analysts to estimate that the three companies will report combined earnings of about \$5 billion for the 1983 calendar year.


"The main element of strength in the model year was the pickup in economic activity," said Harvey Heimbach, an automotive analyst with Merrill Lynch, Pierce, Fenner & Smith.

Auto industry executives say they expect the sales improvement to continue through the 1984 model year, with most forecasting total car sales of between 10 million and 10.5 million. Total sales of domestic and foreign cars for the 1983 model year were 8,795,708, a substantial increase over the 7,682,209 sold in the 1982 model year.

The Big Three figures released Tuesday reported that in the final 10 days of September, the end of the 1983 model year, total sales of 230,777, an 8.6-percent improvement over 212,584 cars sold in the final 10 days of September 1982.

### THE GLOBE AND MAIL AND FINANCIAL TIMES PRESENT:

## INTERNATIONAL BUSINESS



Grains	Open	High	Low	Close	Chg.
WHEAT					
1200 bu minimum - dollars per bushel					
Dec	2.35	2.36	2.35	2.35	+0.01
Mar	2.35	2.36	2.35	2.35	+0.01
May	2.35	2.36	2.35	2.35	+0.01
Jul	2.35	2.36	2.35	2.35	+0.01
Soybeans					
1200 bu minimum - dollars per bushel					
Dec	1.35	1.36	1.35	1.35	+0.01
Mar	1.35	1.36	1.35	1.35	+0.01
May	1.35	1.36	1.35	1.35	+0.01
Jul	1.35	1.36	1.35	1.35	+0.01

U.S. Future Prices	Open	High	Low	Close	Chg.
COFFEE C					
1200 lbs minimum - cents per lb					
Dec	1.35	1.36	1.35	1.35	+0.01
Mar	1.35	1.36	1.35	1.35	+0.01
May	1.35	1.36	1.35	1.35	+0.01
Jul	1.35	1.36	1.35	1.35	+0.01
SOYBEAN MEAL					
100 tons minimum - dollars per ton					
Dec	22.50	22.60	22.50	22.50	+0.10
Mar	22.50	22.60	22.50	22.50	+0.10
May	22.50	22.60	22.50	22.50	+0.10
Jul	22.50	22.60	22.50	22.50	+0.10

Financial	Open	High	Low	Close	Chg.
U.S. TREASURY					
10-year note - 1/8% yield	112.10	112.20	112.10	112.10	+0.10
30-year bond - 1 1/8% yield	111.10	111.20	111.10	111.10	+0.10
100-year bond - 1 3/4% yield	110.10	110.20	110.10	110.10	+0.10

Stocks	Open	High	Low	Close	Chg.
NYSE COMP. INDEX					
1983	230.77	231.00	230.50	230.77	+8.6%
1982	212.58	213.00	212.00	212.58	+8.6%

Commodity Indexes	Open	High	Low	Close	Chg.
MOODY'S					
1983	1,037.40	1,041.40	1,034.40	1,037.40	+3.9%
1982	1,034.40	1,038.40	1,031.40	1,034.40	+3.9%

Livestock	Open	High	Low	Close	Chg.
CATTLE					
100 lbs minimum - cents per lb					
Dec	1.35	1.36	1.35	1.35	+0.01
Mar	1.35	1.36	1.35	1.35	+0.01
May	1.35	1.36	1.35	1.35	+0.01
Jul	1.35	1.36	1.35	1.35	+0.01

Metals	Open	High	Low	Close	Chg.
COPPER					
100 lbs minimum - cents per lb					
Dec	1.35	1.36	1.35	1.35	+0.01
Mar	1.35	1.36	1.35	1.35	+0.01
May	1.35	1.36	1.35	1.35	+0.01
Jul	1.35	1.36	1.35	1.35	+0.01

NYSE High-Lows	Oct 5
NEW HIGHS	
AMR	45.12
AT&T	45.12
AVCO	45.12
BANK OF AMERICA	45.12
BELL	45.12
BOEING	45.12
CHRYSLER	45.12
CITICORP	45.12
COCA-COLA	45.12
DUKE	45.12
ELI LILLY	45.12
EMERSON	45.12
GENCO	45.12
GOULD	45.12
HEWLETT	45.12
IBM	45.12
JOHNSON	45.12
KODAK	45.12
LOWE'S	45.12
MCDONALD'S	45.12
MCNULTY	45.12
MONSIEUR	45.12
NEW LOWS	
AMR	45.12
AT&T	45.12
AVCO	45.12
BANK OF AMERICA	45.12
BELL	45.12
BOEING	45.12
CHRYSLER	45.12
CITICORP	45.12
COCA-COLA	45.12
DUKE	45.12
ELI LILLY	45.12
EMERSON	45.12
GENCO	45.12
GOULD	45.12
HEWLETT	45.12
IBM	45.12
JOHNSON	45.12
KODAK	45.12
LOWE'S	45.12
MCDONALD'S	45.12
MCNULTY	45.12
MONSIEUR	45.12

Paris Commodities	Oct 5
Flour in French Francs per metric ton	
1200 lbs minimum - dollars per bushel	
Dec	1.35
Mar	1.35
May	1.35
Jul	1.35

London Commodities	Oct 5
Flour in sterling per metric ton	
1200 lbs minimum - dollars per bushel	
Dec	1.35
Mar	1.35
May	1.35
Jul	1.35

Dividends	Oct 5
Company	Per Share
AT&T	1.15
AVCO	1.15
BANK OF AMERICA	1.15
BELL	1.15
BOEING	1.15
CHRYSLER	1.15
CITICORP	1.15
COCA-COLA	1.15
DUKE	1.15
ELI LILLY	1.15
EMERSON	1.15
GENCO	1.15
GOULD	1.15
HEWLETT	1.15
IBM	1.15
JOHNSON	1.15
KODAK	1.15
LOWE'S	1.15
MCDONALD'S	1.15
MCNULTY	1.15
MONSIEUR	1.15

London Metals	Oct 5
Flour in sterling per metric ton	
1200 lbs minimum - dollars per bushel	
Dec	1.35
Mar	1.35
May	1.35
Jul	1.35

Cash Prices	Oct 5
Commodity and Unit	Year Ago
Coffee (Arabica) - 100 lbs	1.35
Cocoa (100 lbs) - 100 lbs	1.35
Gold (100 lbs) - 100 lbs	1.35
Silver (100 lbs) - 100 lbs	1.35
Wheat (100 lbs) - 100 lbs	1.35
Soybeans (100 lbs) - 100 lbs	1.35
Corn (100 lbs) - 100 lbs	1.35
Oats (100 lbs) - 100 lbs	1.35
Rye (100 lbs) - 100 lbs	1.35
Buckwheat (100 lbs) - 100 lbs	1.35
Millet (100 lbs) - 100 lbs	1.35
Sorghum (100 lbs) - 100 lbs	1.35
Barley (100 lbs) - 100 lbs	1.35
Oats (100 lbs) - 100 lbs	1.35
Rye (100 lbs) - 100 lbs	1.35
Buckwheat (100 lbs) - 100 lbs	1.35
Millet (100 lbs) - 100 lbs	1.35
Sorghum (100 lbs) - 100 lbs	1.35
Barley (100 lbs) - 100 lbs	1.35

French Says GDP Rose By 0.5% in 2d Quarter
Compiled by Our Staff From Dispatches
PARIS — France's gross domestic product increased 0.5 percent in the second quarter, compared with a 0.2-percent decline in the first quarter, the government announced Wednesday. GDP had risen 0.8 percent in the second quarter of last year.
The volume of imports declined by 5.3 percent in the second quarter after rising 2 percent in the first three months of the year.

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64					65					66			
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## DENNIS THE MENACE



**Word** Unscramble these four jumbles, one letter to each square, to form four ordinary words.

**VEROL**

\_\_\_\_ \_

**MALFE**

\_\_\_\_ \_

**TIPOLE**

\_\_\_\_ \_

**YISMAL**

\_\_\_\_ \_

**Next!**

**HE WORKS OUT THE PROBLEMS OF "MIXED-UP" LOVERS.**

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

EUROPE			ASIA		
	HIGH	LOW		HIGH	LOW
	C	F		C	F
Algeria	26	77	14	59	57
Amsterdam	20	68	15	59	57
Antwerp	20	68	15	59	57
Berlin	22	72	16	61	59
Bombay	28	82	16	61	59
Buenos Aires	24	75	16	61	59
Calcutta	24	75	16	61	59
Canton	28	82	16	61	59
Cebu	28	82	16	61	59
Copenhagen	18	64	15	59	57
Delhi	27	81	19	65	61
Colon	22	72	16	61	59
Edinburgh	18	64	15	59	57
Frankfurt	20	68	15	59	57
Hankow	28	82	16	61	59
Hong Kong	28	82	16	61	59
Kobe	28	82	16	61	59
London	18	64	15	59	57
Lyons	20	68	15	59	57
Manila	28	82	16	61	59
Medan	28	82	16	61	59
Osaka	28	82	16	61	59
Panama	28	82	16	61	59
Paris	20	68	15	59	57
Perth	20	68	15	59	57
Port of Spain	28	82	16	61	59
Rangoon	28	82	16	61	59
San Francisco	20	68	15	59	57
Singapore	28	82	16	61	59
Sourabaya	28	82	16	61	59
Tientsin	28	82	16	61	59
Yokohama	28	82	16	61	59

AFRICA		
	HIGH	LOW
	C	F
Algiers	22	72
Cairo	28	82
Cape Town	22	72
Colon	22	72
Harare	22	72
Johannesburg	22	72
London	18	64
Lyons	20	68
Medan	28	82
Perth	20	68
Port of Spain	28	82
Rangoon	28	82
Singapore	28	82
Sourabaya	28	82
Tientsin	28	82
Yokohama	28	82

LATIN AMERICA		
	HIGH	LOW
	C	F
Buenos Aires	22	72
Colon	22	72
Harare	22	72
Johannesburg	22	72
London	18	64
Lyons	20	68
Medan	28	82
Perth	20	68
Port of Spain	28	82
Rangoon	28	82
Singapore	28	82
Sourabaya	28	82
Tientsin	28	82
Yokohama	28	82

NORTH AMERICA		
	HIGH	LOW
	C	F
Alaska	7	45
Albuquerque	22	72
Boston	22	72
Chicago	22	72
Denver	22	72
Houston	22	72
Los Angeles	22	72
Manila	28	82
Medan	28	82
Perth	20	68
Port of Spain	28	82
Rangoon	28	82
Singapore	28	82
Sourabaya	28	82
Tientsin	28	82
Yokohama	28	82

MIDDLE EAST		
	HIGH	LOW
	C	F
Amman	19	66
Bombay	28	82
Calcutta	28	82
Canton	28	82
Cebu	28	82
Colon	22	72
Harare	22	72
Johannesburg	22	72
London	18	64
Lyons	20	68
Medan	28	82
Perth	20	68
Port of Spain	28	

BUGS ARE HOLDING THEIR WORLD SERIES IN MY SUPPER DISH?

I GUESS I'M JUST IN TIME FOR THE OPENING CEREMONIES...

THE NATIONAL ANTHEM, AND THEN MY FAVORITE PART...

...WHEN THEY RELEASE ALL THE BALLOONS!

**PANEL 1:** A woman on the left, wearing a patterned dress and a pearl necklace, sits at a table with a white tablecloth. She is looking at a menu. A woman on the right, wearing a dark dress and a pearl necklace, sits across from her. The first woman says: "TUDBURY'S IS HAVING A BIG SALE... EVERYTHING'S REALLY CHEAP!"

**PANEL 2:** The woman on the right responds: "I KNOW, I TOLD HERB ALL ABOUT IT."

**PANEL 3:** The woman on the left says: "BUT THEN I DISCOVERED SOMETHING EVEN CHEAPER." The woman on the right replies: "REALLY, WHAT?"

**PANEL 4:** The woman on the right says: "HERB!" The woman on the left, looking surprised, says: "YOUNG! HERB'S 10-6."

HELP! SARGE IS HANGING OFF THE SIDE OF THE CLIFF!

I'LL HANDLE IT

WE OFTEN HAD SITUATIONS LIKE THIS IN THE BIG CITY WHERE I GREW UP

JUMP!

NOE LUMBIER

10-6

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I'VE BEEN THINKING, BUT WE DON'T SEEM TO BE GETTING ANYWHERE-

WHY DON'T WE GET OURSELVES OVER TO THE STATES AND MAKE A NEW START?

YOU HAVEN'T STARTED HERE YET

THERE YOU ARE. I'VE GOT YOU FULL OF IDEAS, BUT I GET NO BACKING.

10-6

© 1995 by Dave Coverly

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WHAT DO YOU WANT TO BE WHEN YOU GROW UP, LITTLE MAN?

A JEWELER AND AN ELECTRICAL ENGINEER

WHY BOTH?

SO I CAN FIX WATCHES

BRUBAKER

YOU HAVEN'T TOUCHED YOUR LUNCH, MA'DAME! ANYTHING WRONG WITH IT?

NO, IT'S OKAY! I'M JUST NOT HUNGRY!

WHAT TIMES IT ? I GOTTA GET HOME! LES SEE --- THERE'S A CREDIT CARD IN HERE SOMEPLACE!

MAY I CALL A CAB FOR YOU ?

I DON'T NEED A CAB, ANY CAR'S IN YOUR PARKIN' LOT!

BRADLEY LONGHORN '65

By Bradley

I LOVE A WELL-BALANCED MEAL

SOMETHING FROM THE FOUR BASIC FOOD GROUPS...

MEAT, VEGETABLE, DAIRY AND CATSUP

JIM DAVIS

© 1985 United Feature Syndicate, Inc.

Prices in Canadian cents unless marked \$

[illegible]

ABN	364.50	367	RWE new	178.50	171.50
ACF Holding	164.50	164.80	Scherins	348.50	346
ACTO	70.40	70.80	Flintberg	359.40	354.40

New Class Chart	Albert Heilm	183.30	183.30	Thyssen	74.28	74.28	Gulfstream	5.95	5.95
1978-79	AMEV	133.00	133.00	Vortic	177.00	177.00	ICI	1.00	1.00
1979-80	Arcochemical	140.00	140.00	W. H. & A.	177.00	177.00	ICI	1.00	1.00
1980-81	Adams Rub	9.40	9.40	VIEW	72.00	72.00	ICI	1.00	1.00
1981-82	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
1982-83	BVG	2.10	2.10	VIEW	72.00	72.00	ICI	1.00	1.00
1983-84	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
1984-85	Calend Hilde	34.00	34.00	VIEW	72.00	72.00	ICI	1.00	1.00
1985-86	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
1986-87	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
1987-88	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
1988-89	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
1989-90	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
1990-91	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
1991-92	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
1992-93	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
1993-94	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
1994-95	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
1995-96	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
1996-97	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
1997-98	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
1998-99	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
1999-00	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
2000-01	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
2001-02	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
2002-03	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
2003-04	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
2004-05	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
2005-06	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
2006-07	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
2007-08	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
2008-09	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
2009-10	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
2010-11	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
2011-12	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
2012-13	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
2013-14	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
2014-15	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
2015-16	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
2016-17	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
2017-18	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00
2018-19	AMEV	133.00	133.00	VIEW	72.00	72.00	ICI	1.00	1.00

## Closing Prices in local currencies

[illegible]

Index: 424.06	Amul Corp.	540	537
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	Mitsubishi Motors	248	245

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**OUR ENDANGERED CHILDREN:**  
**Growing Up in a Changing World**  
By Vance Packard. 385 pp. \$18.95.  
Little, Brown, 34 Beacon St.,  
Boston, Mass. 02106.  
Reviewed by Phyllis Theroux

**VANCE** PACKARD, the distinguished critic of American society, has spent months talking to his enemies. More than at other times in his career, he knows how to stir statistics into his prose and keep it palatable, which is not to say that we don't choke upon what he has to say. And in this, his ninth, book "Our Endangered Children," Packard serves us a quietly terrifying portrait of a nation in which children are sown, like wheat upon rocky terrain, and often perish.

You will not enjoy this book any more than you would enjoy being locked up in a video arcade room for a weekend. But the wonder is that Packard had the strength to complete without succumbing to despair.

Today's "child according to Packard" must cope with stresses that put him or her "at risk" from the beginning: an "incompatible birth system," unstable or single-parent homes, deficient day care, demoralized schools, and urban, crime-ridden neighborhoods. And these are just the broad-brush outlines of the predicament as outlined in an early chapter, "What Means To Be Young Today."

"The motion still persists that the United States is a uniquely child-centered society," comments Packard. Yet "a deep malaise has rather swiftly come over child raising" in the country. There is no one answer that explains it, of course. But Packard — surrounded by charts, surveys, psychological studies, and census reports, as well as his friends and common sense — attempts to give a number of answers explaining why we have become a nation that often hinders children in the breach.

I doubt that most parents beyond the preadolescent stage of child-rearing will find anything wildly new or out of sync with their own undisciplined, mentored experiences. In a culture that is highly materialistic, economically unstable, and full of deleterious influences from television and drugs, families find themselves in communities where their root systems are continually being fouled or threatened, without having the strength to pull up and out. Like freeways in shrubbery, a child must be resistant to pollution to survive from one day to the next.

Packard's strength lies in the voluminous information he has acquired to document or individual case histories. Like a prosecuting attorney with a table full of courtroom exhibits, he relentlessly pursues his case:

"Nearly half the children born in the last few years will spend a portion of their lives living in a one-parent household . . .

"Now only a minority of families eat supper together around a table." (Half of those sit before a television set in a darkened room)

"Roughly a third of U.S. schools actually inflict psychic harm on pupils."

"Only 5 percent of U.S. children see a general practitioner regularly."

Only a quarter of all preschoolers suffer nearly 40 percent of all grade school children still are watching TV between nine and ten at night."

Packard's book is not simply a catalog of disasters, although everything from the im-

food served in school cafeterias to the impact of custody fights upon children is included and researched. He attempts, with some success, to offer solutions to obvious problems, sometimes with too obvious answers.

In his chapter "Nine Adult Skills That Help Children Thrive," Packard says, without tongue in cheek, that "a skillful child developer does a lot of interacting with the child, especially verbal interacting." But it would be inaccurate to say that Packard simply restates the obvious with a few statistics to support it. The trouble with the book is with the size of the dragon Packard is attempting to define.

On the one hand, Packard concludes that the healthiest child lives in a house with a front porch, in a small community, with two parents, a supportive school system, and only five hours of television on the weekends. On the other hand, he is well aware that only a handful of parents, mostly affluent, can pull this off. And so he proposes alternative solutions, examining day care, joint custody, playground, school and work programs as they exist in isolated parts of the United States or abroad. But in the main, Packard is an ecologist on a field trip, examining the evidence surrounding normal

I wished, without wishing to depress myself further, that Packard had examined the correlations between families with strong religious affiliations and strong children. There is no particular attention given to the underlying values that the United States subconsciously espouses, at the expense of its children. The same altars we have traditionally worshipped before—Money, Power and Influence—are still in place, at least in large cities. An interesting statistic uncovered by Packard is that children in rural areas are less bored than children in urban areas.

In conclusion, "Our Endangered Children" is a book that can be used by a lot of people—parents, educators, analysts and public policy makers—to good advantage. But I could not read too far without having to check my instinct to go upstairs—to see if my children were all right.

Phyllis Theroux, the author of "California and Other States of Grace," writes frequently about children. She wrote this review for *The Washington Post*.

*United Press International*

**PORTSMOUTH, England** — The wreck of King Henry VIII's flagship *Mary Rose*, which sank in 1545 and was raised to the surface last year, has gone on public display for the first

The opening of the public showing here Tuesday marked the end of the first year of restoration of the warship. It was brought up less than a mile off the British coast last Oct. 11 after 437 years on the ocean floor.

The ship was sailing to do battle with a French fleet on July 19, 1545, when it capsized and sank as King Henry VIII himself watched. All but about 40 of the 700 men on board went down with the ship. The wreckage was not found until 1966, when it was found by an amateur archaeologist.

By Alan Truscott

ON the diagrammed deal against Five diamonds doubled, West led his singleton club. Ninety-nine players out of 100 would quickly play low from dummy and then be doomed to defeat. But South recognized that the lead was probably a singleton and found a brilliant way to cut the defenders' communications.

He won with the club ace in dummy, carefully dropping the jack from his hand. He then led the spade king and discarded his singleton heart.

There was now no way for East to gain the lead, although West tried by underleading his heart ace. South ruffed and led

a low diamond, aiming to reach dummy with the jack. It did not matter what West did, but he chose to take

Now South had the lead in dummy, and could run the club nine, picking up the queen to make his doubled game.

This communication-cutting play of the spade king is sometimes known as the scissors coup. Oddly enough, a similar play was possible for East-West on the same deal.

At one table West played five spades doubled and received a diamond lead. He should have played a club at an early stage to cut the defenders' communication. When he failed to do so, North eventually had the opportunity

underlead his club ace, and South was able to defeat the contract with a third round of diamonds.

NORTH  
 ◀KX43  
 ◀Q882  
 ◀J5  
 ◀Q435

WEST (2)  
 ◀Q8752  
 ◀J3J5  
 ◀A4  
 ◀4

EAST  
 ◀J75  
 ◀K573  
 ◀8  
 ◀Q8432

SOUTH  
 ◀4  
 ◀4  
 ◀KQ1897632  
 ◀KJ788

Both sides were vulnerable. The bidding:

West	North	East	South
14	Pass	2 1/2	40
10	Pass	2 1/2	50
DNL	Pass	Pass	Pass

\* West had three clubs unopposed.  
 \* West had four clubs unopposed.

## In local currencies

[illegible]

Index: 424.06	Amul Corp.	540	537
	Mitsubishi Elec	438	437
	Mitsubishi Motors	248	245

drney		Missouri City		Missouri City	
1.41	1.41	289	289	289	289
1.42	1.42	290	290	290	290
1.43	1.43	291	291	291	291
1.44	1.44	292	292	292	292
1.45	1.45	293	293	293	293
1.46	1.46	294	294	294	294
1.47	1.47	295	295	295	295
1.48	1.48	296	296	296	296
1.49	1.49	297	297	297	297
1.50	1.50	298	298	298	298
1.51	1.51	299	299	299	299
1.52	1.52	300	300	300	300
1.53	1.53	301	301	301	301
1.54	1.54	302	302	302	302
1.55	1.55	303	303	303	303
1.56	1.56	304	304	304	304
1.57	1.57	305	305	305	305
1.58	1.58	306	306	306	306
1.59	1.59	307	307	307	307
1.60	1.60	308	308	308	308
1.61	1.61	309	309	309	309
1.62	1.62	310	310	310	310
1.63	1.63	311	311	311	311
1.64	1.64	312	312	312	312
1.65	1.65	313	313	313	313
1.66	1.66	314	314	314	314
1.67	1.67	315	315	315	315
1.68	1.68	316	316	316	316
1.69	1.69	317	317	317	317
1.70	1.70	318	318	318	318
1.71	1.71	319	319	319	319
1.72	1.72	320	320	320	320
1.73	1.73	321	321	321	321
1.74	1.74	322	322	322	322
1.75	1.75	323	323	323	323
1.76	1.76	324	324	324	324
1.77	1.77	325	325	325	325
1.78	1.78	326	326	326	326
1.79	1.79	327	327	327	327
1.80	1.80	328	328	328	328
1.81	1.81	329	329	329	329
1.82	1.82	330	330	330	330
1.83	1.83	331	331	331	331
1.84	1.84	332	332	332	332
1.85	1.85	333	333	333	333
1.86	1.86	334	334	334	334
1.87	1.87	335	335	335	335
1.88	1.88	336	336	336	336
1.89	1.89	337	337	337	337
1.90	1.90	338	338	338	338
1.91	1.91	339	339	339	339
1.92	1.92	340	340	340	340
1.93	1.93	341	341	341	341
1.94	1.94	342	342	342	342
1.95	1.95	343	343	343	343
1.96	1.96	344	344	344	344
1.97	1.97	345	345	345	345
1.98	1.98	346	346	346	346
1.99	1.99	347	347	347	347
2.					

New Index: 792.35  
 Previous: 792.35  
 New Index: 792.35  
 Previous: 792.35

Zurich	
Albania	740
Algeria	740
Belgium	1,190
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**Britain's Reserves Decline**  
*The Associated Press*  
**LONDON** — Britain's gold and foreign currency reserves fell by \$107 million in September to \$17.902 billion, the Treasury announced Tuesday. It was the first decline since June, it said.

**Solution to Previous Puzzle**

G	A	S	H	C	H	A	N	S	A	S	P	S
O	R	C	A	L	I	N	A	M	A	S	I	E
S	A	R	E	E	R	A	S	E	S	A	S	A
S	A	R	E	E	R	A	S	E	S	A	S	A
I	N	D	E	X	E	R	E	S	A	R	T	H
P	E	S	E	A	M	I	L	L	B	R	A	V
T	O	P	C	O	A	T	O	R	E	S	E	S
T	H	E	W	I	N	D	O	S	E	W	A	R
A	R	A	N	S	E	A	T	T	E	E	S	E
P	E	R	T	H	L	I	F	E	S	A	S	S
T	A	D	E	R	R	O	R	E	F	O	R	T
C	H	A	R	I	O	T	O	S	E	F	H	E
A	H	A	B	G	U	I	L	D	E	F	O	A
R	E	T	E	O	G	L	E	S	E	S	E	S
E	A	S	T	R	E	E	D	E	S	E	D	D







## Winds and Snow Delay U.S. Climb of Everest

هكذا من السهل